

**CITY OF BELDING, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDING JUNE 30, 2004**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CITY OF BELDING, MICHIGAN
JUNE 30, 2004**

PREPARED BY
Finance Department

FINANCE DIRECTOR/CITY MANAGER
Randall S. DeBruine

INDEPENDENT AUDITORS
Rehmann Robson

PRINCIPAL OFFICIALS

CITY OF BELDING, MICHIGAN

CITY COUNCIL

Shane T. Husted, Mayor

Daniel W. Blunt, Mayor Pro-Tem

Robert B. Thompson

Richard W. Stout

Roger D. Wills

CITY MANAGER

Randall S. DeBruine

FINANCE DIRECTOR/TREASURER.....Randall S. DeBruine
CITY CLERK.....Kareen J. Thomas
POLICE CHIEF.....Dale E. Nelson
FIRE CHIEF.....Gregg A. Moore
AMBULANCE DIRECTOR.....Alex J. Boros
DIRECTOR OF PUBLIC WORKS.....Ernest S. Thomas
CITY ASSESSOR.....David W. Pohl
DIAL-A-RIDE DIRECTOR.....Suzanne J. Christensen
LIBRARIAN.....Toni L. Jagger

CITY OF BELDING

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SINGLE AUDIT

Issued
Under
Separate
Cover



City of
Belding
MICHIGAN

120 S. Pleasant Street • Belding, Michigan 48809

Phone (616) 794-1900 • Fax (616) 794-0091

November 20, 2004

To the Honorable Mayor, Members of the City Council and the Citizens of the City of Belding, Michigan:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Belding for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Belding. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Belding has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Belding's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Belding's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Belding's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Belding for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Belding's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in

conjunction with it. The City of Belding's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1857, is located in West Michigan about twenty-five miles northeast of Grand Rapids, Michigan. The City currently has a land area of 4.85 square miles and a population of 5,877 based on 2000 census data. The City is empowered to levy a property tax on both real and personal property located within its boundaries up to a state and charter mandated twenty mills without voter approval.

The City operates under the council-manager form of government. Policy making and legislative authority are vested in the governing council, which consists of a mayor and a four-member council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of City departments. The council is elected on a non-partisan basis. Council members are elected to two-year staggered terms with three council members elected one year and two elected the following year. The council members elect the mayor to a one-year term.

The City provides a full range of municipal services for the public's health, safety, welfare and quality of life. These services include general administration, police protection, fire protection, planning and zoning, water and wastewater services, construction and maintenance of streets and other infrastructure, building and code enforcement, cemetery operations, park operations and maintenance, ambulance services, library, and a demand-response transportation system.

In addition to general City activities, the Tax Increment Finance Authority (TIFA) and Local Development Finance Authority (LDFA) are included in the reporting entity as component units. Component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Belding Housing Commission has been excluded from the City's financial statement because the City does not exercise significant oversight over this entity. This entity can independently generate revenue, adopt budgets, enter into contracts, and borrow funds.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager on or before the first week in February each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review during the second council meeting in March. The council is required to hold a public hearing on the proposed budget and to adopt a final budget during the second meeting in May. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City council. Budget-to-

actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The overall local economy remains in relatively decent shape, although the unemployment rate remains a concern. The unemployment rate in June 2004 was 9.2%, which is well above the 6.8% reported by the State of Michigan. Many of the local manufacturers have reduced employment during the last few years in order to compensate for the loss of business. The future of Electrolux Home Products six miles to the North in the City of Greenville also remains a concern for the local economy with the potential plant closing and a loss of 2,700 jobs.

Since the start of the recession in the first quarter of 2001, economic growth has also been weak in Michigan. State revenues have been off, leading to a mounting budget crisis that required cuts in State government spending and reductions to revenue sharing with local governments.

However, the economic condition and outlook for the City of Belding should remain favorable, as stability and modest growth hopefully will continue. The manufacturing base is well diversified and comprised of several smaller companies. The largest employer is Extruded Metals with approximately 240 employees.

The proximity to Grand Rapids also is a benefit as Belding is gradually increasing in residential growth due to the appeal of small town living while being within easy access of services and employment that only metropolitan areas offer.

The 2004 advalorem assessment roll totals \$111,185,000, which is an increase of \$2,888,800 or 2.7% over 2003's assessed value of \$108,296,200. This is more than last year's increase of 1.8%. The assessed value represents 50% of market value and is the basis for measuring uniformity of assessments. With the passage of Proposal A in the State of Michigan in 1994, the taxable value now serves as the basis for determining property tax revenues. The 2004 taxable value increased \$4,255,937 or 5.2%, from \$81,901,096 to \$86,157,033, which is up from last year's 1.3% increase.

Modest growth is also evidenced by the approximately eight new homes that were built within the City limits in calendar year 2003. In 2003, fifty-nine building permits for new homes, home improvements, and commercial/ industrial construction were issued with a total construction value of \$1,665,300.

Long-term financial planning. The City recently completed a downtown marketing plan to provide a strategic plan for a revitalization of the downtown area. Implementation of this plan will commence shortly and will be an ongoing effort for many years. Another project in the

planning stages is to enhance the M44 corridor with sidewalks and lighting. Grants through the State of Michigan will be sought to complement this project.

The next transportation related project will be the reconstruction of Congress Street from Front Street to Wilson Street in 2005. This project will cost approximately \$989,300, of which \$375,000 will be a grant from MDOT. This project will emphasize on street parking and greenspace. A renewed emphasis is being placed on maintaining and improving the streets in town. Over \$177,000 has been set aside for each of the next six years to chip seal and resurface the streets.

The replacement of the Bridge Street bridge that crosses the Flat River in the downtown area will commence in late January 2005. Federal funds will be used to pay for the greater part of the cost of the \$1 million bridge, with \$150,000 expected to be the City's share of the cost.

The next sewer project will be the new Sewer mains on Congress Street during the reconstruction of this street. Improvements to the sanitary sewer system include extensive preventative maintenance in the form of cutting roots from the sewer mains, foaming the cut roots, and relining sewer mains that have dislocated joints. More attention and effort is being placed into preventative maintenance on the sewer system to reduce the possibility and occurrences of sewer backups, especially since the City is self-insured for sewer backups.

The inside of the South water tower has been painted at a cost of approximately \$80,000. The next water project will be the new water main on Congress Street.

Cash management policies and practices. The City has a cash management system designed to invest temporarily idle funds in obligations of the United States Government, certificates of deposits from banks, municipal investment pooled trusts, and other securities as permitted by state law and the City's investment policy. The maturities of investments generally range from one to three years, although some federal agency securities and negotiable certificate of deposits have longer maturities.

Risk Management. The Michigan Municipal Liability and Property Pool provides insurance coverage for property, liability, auto, and crime, as well as for workers' compensation. The City's medical health care coverage is provided through Priority Health, the vision insurance is provided by VSP, and the City is self insured for dental claims. Standard Insurance is the provider for life and disability insurance for City employees.

Pension and other postemployment benefits. The City provides pension benefits for all full-time employees through a defined contribution plan administered by the International City Managers Association Retirement Corporation (ICMA RC), except for the police officers, which are under a defined benefit plan administered by the Michigan Employment Retirement System (MERS). Under the defined contribution plan, the City contributes 9% of the employee's base annual compensation.

Employees may also contribute to the plan. The City's total payroll for fiscal year ended June 30, 2004 was \$2,340,750. The City's contribution of \$127,578 was calculated using the base

salary amount of \$1,417,530. City employees also made non-deductible voluntary contributions to the plan totaling \$9,682, which was .6% of the covered payroll.

Effective May 2, 2000, the City began participating in the MERS defined benefit program for the unionized police personnel. The City funded the pension with an initial transfer from the police officers' defined contribution plan employer portion in the amount of \$567,498. The City is required to make future contributions at an actuarially determined rate, which for the calendar year 2004 is 12.9%. In addition, employees are required to contribute 7 percent of gross wages to the plan.

The City provides some post-employment health care benefits for the unionized police officers. As of the end of the current fiscal year, there were three retired employees receiving these benefits, which are financed on a pay-as-you-go basis. The amount received is based on years of service. All other retirees pay the entire cost of their participation in the health insurance plan.

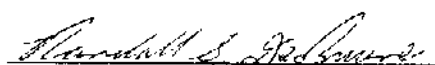
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Belding for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire administrative staff and other City departments that contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Randall S. DeBruine
City Manager/Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Belding,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



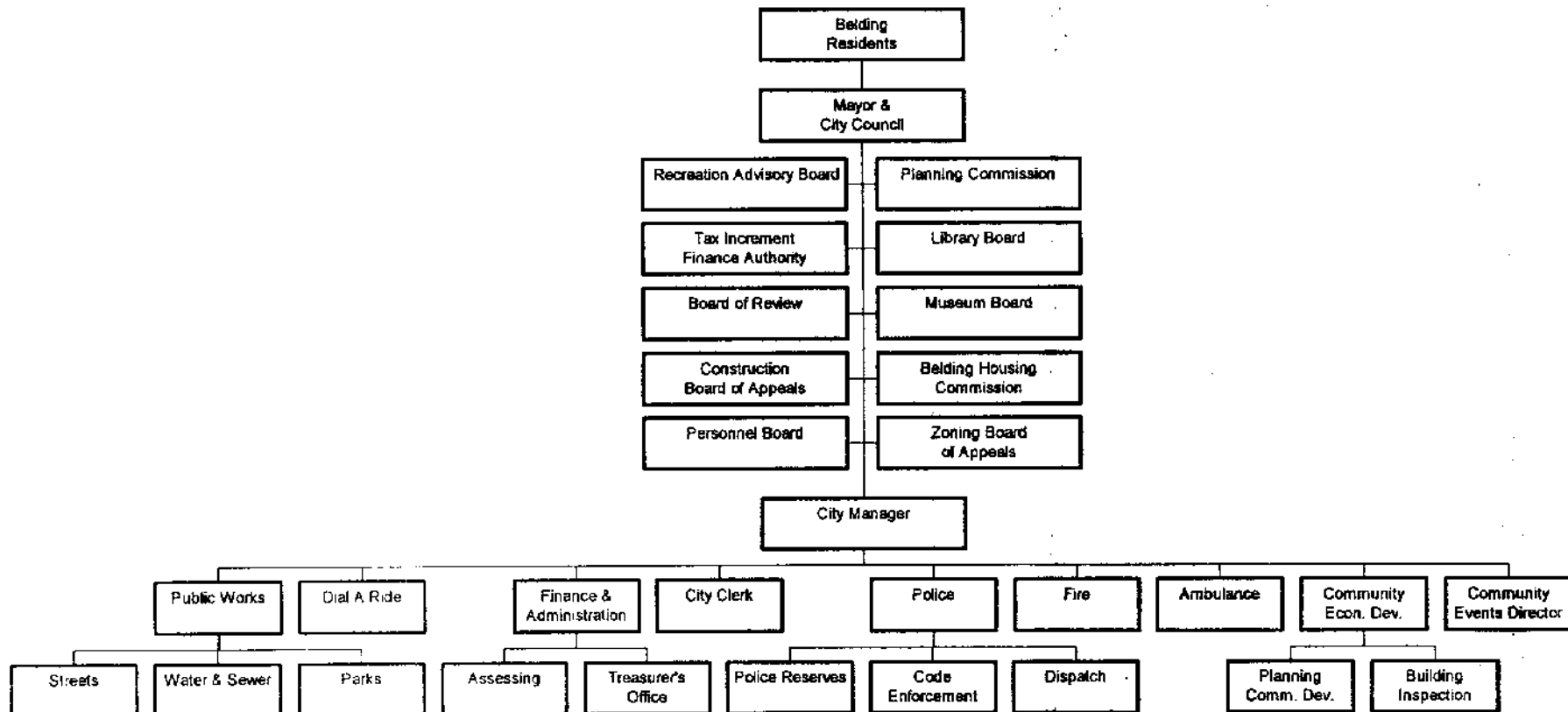
Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

CITY OF BELDING ORGANIZATIONAL CHART





Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

August 30, 2004

Honorable Mayor and Members of
the City Council
City of Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Belding, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Belding, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information for the City of Belding, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2004, on our consideration of the City of Belding's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belding's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the City of Belding's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

Rehmann Lobson

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Belding (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

The financial statements, which follow Management's Discussion and Analysis, provide these significant key financial highlights for the 2003-04 Fiscal Year as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$14,881,415 (net assets). Of this amount, \$3,401,167 was unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$561,756.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,050,208, an increase of \$406,548 in comparison with the prior year. Approximately 99.9% of this total amount, or \$3,047,865, is available for spending at the City's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$1,208,927 or 46.8% of total General Fund expenditures (including operating transfers).
- The City's total debt increased by \$574,429 during the fiscal year due to the \$685,000 loan from the State of Michigan Drinking Water Revolving Fund for a new water well and water main. A \$400,000 installment purchase agreement was also taken out during the year for the purchase of an aerial ladder truck.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net

assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, culture and recreation, and planning. The business-type activities of the City include Sewer, Water, and Dial-A-Ride.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate TIFA and LDFA for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following two major funds: General, and

Ambulance. Data is combined into a single aggregated presentation for the other twelve governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Water, and Dial-A-Ride operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its supplies and professional fees, buildings, fleet of vehicles, and health insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Dial-A-Ride operations, all of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This is limited to combining statements and schedules and statistical information.

Government-wide Financial Analysis

Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$14,881,415 at the close of the most recent fiscal year. The following chart illustrates the composition of net assets.

City of Belding's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$4,049,435	\$3,742,745	\$ 340,208	\$ 512,387	\$ 4,389,643	\$ 4,255,132
Capital assets	4,476,014	3,985,242	9,139,761	8,528,210	13,615,775	12,513,452
Total assets	8,525,449	7,727,987	9,479,969	9,040,597	18,005,418	16,768,584
Current liabilities	176,053	146,172	110,500	194,774	286,553	340,946
Long-term liabilities	1,466,707	1,132,512	1,370,743	975,467	2,837,450	2,107,979
Total liabilities	1,642,760	1,278,684	1,481,243	1,170,241	3,124,003	2,448,925
Net assets:						
Invested in capital assets, net of related debt	3,195,861	2,879,578	7,769,018	7,160,029	10,964,879	10,039,607
Restricted	501,655	125,417	13,714	52,011	515,369	177,428
Unrestricted	3,185,173	3,444,308	215,994	658,316	3,401,167	4,102,624
Total net assets	\$6,882,689	\$6,449,303	\$7,998,726	\$7,870,356	\$14,881,415	\$14,319,659

By far the largest portion of the City's net assets in the amount of 73.6% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets in the amount of 3.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* in the amount of \$3,401,167, or 22.9%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Statement of Activities. The City's total revenue for the fiscal year ended June 30, 2004, was \$5,784,725. The total cost of all programs and services was \$5,222,969. This results in a net asset increase at the end of the fiscal year of \$561,756. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2004 and 2003.

City of Belding's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 746,788	\$ 667,002	\$ 1,160,641	\$ 1,131,022	\$ 1,907,429	\$ 1,798,024
Operating grants and contributions	631,431	634,167	294,781	111,542	926,212	745,709
Capital grants and contributions	118,608	503,318	205,835	159,974	324,443	663,292
General revenues:						
Property taxes	1,601,212	1,539,202	-	-	1,601,212	1,539,202
State Shared Revenues	751,617	959,698	-	-	751,617	959,698
Investment earnings	71,840	144,306	2,920	10,816	74,760	155,122
Other	194,490	255,090	4,562	25,353	199,052	280,443
Total revenues	4,115,986	4,702,783	1,668,739	1,438,707	5,784,725	6,141,490
Expenses:						
General government	803,680	559,643	-	-	803,680	559,643
Public safety	1,732,955	1,443,148	-	-	1,732,955	1,443,148
Highways & Streets	406,188	550,383	-	-	406,188	550,383
Recreation & Culture	549,764	468,436	-	-	549,764	468,436
Planning	70,082	62,620	-	-	70,082	62,620
Interest on long-term debt	64,931	53,257	-	-	64,931	53,257
Dial-A-Ride	-	-	335,802	322,327	335,802	322,327
Sewer	-	-	643,387	596,897	643,387	596,897
Water	-	-	616,180	543,548	616,180	543,548
Total expenses	3,627,600	3,137,487	1,595,369	1,462,772	5,222,969	4,600,259
Excess before transfers	488,386	1,565,296	73,370	(24,065)	561,756	1,541,231
Transfers in (out)	(55,000)	(40,982)	55,000	40,982	-	-
Increase in net assets	433,386	1,524,314	128,370	16,917	561,756	1,541,231
Net assets - beginning	6,449,303	4,924,989	7,870,356	7,853,439	14,319,659	12,778,428
Net assets - ending	\$6,882,689	\$6,449,303	\$7,998,726	\$7,870,356	\$14,881,415	\$14,319,659

Government Activities. The preceding table shows that the governmental activities increased the City's net assets by over \$433,386 during this fiscal year, accounting for 77.1% of the total growth in the net assets. This increase was from several different funds where revenues exceeded expenditures such as Major Streets (\$87,514), Library (\$109,646), and Capital Improvements (\$177,609). The increase in net assets decreased substantially from the prior year primarily due to decreases in grants received and state shared revenues.

Business-type Activities. Business-type activities increased the City's net assets by \$128,370, or 1.6%, accounting for 22.9% of the total growth in the City's net assets. The Dial-A-Ride net assets increased by \$128,213.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,050,208, an increase of \$406,548 in comparison with the prior year. Approximately 99.9% or \$3,047,865 of this total amount constitutes *unreserved undesignated fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for debt service (\$1,687) and for an elevator at the Community Center (\$656).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the entire fund balance of the General Fund of \$1,208,927 was unreserved and undesignated. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 46.8% of total General Fund expenditures.

The fund balance of the General Fund decreased by \$2,683 or .2% during the current fiscal year. This nominal decrease is better than expected due to the revenue sharing cuts enacted by the State of Michigan due to budgetary issues.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City of Belding's enterprise operations consist of three separate and distinct activities. The Dial-A-Ride public transit system provides "demand response" curb-to-curb bus service in the City of Belding Monday through Friday from 6:30 am to 6:00 pm and on Saturday from 9:00 am to 2:00 pm. In addition, bus service is provided to the cities of Greenville and Ionia at specified times. Operating funds are derived from the Michigan Department of Transportation, Federal Transit Administration, City of Belding, and passenger fares. The net assets of the fund increased by \$128,213, aided by a state grant to construct a new bus facility. If not for this grant, a net asset decrease of \$76,826 would have resulted.

The Sewer Fund provides sewage service to most residents and businesses of the City on a cost reimbursement basis. Operating Revenues increased by \$40,642 or 7.6% to \$577,726 this past year. This is approximately equal to the operating revenues from two years ago. Operating expenses increased by \$48,791 or 8.4% from the previous year due to increases in personnel costs and utility costs. The net assets decreased by \$65,394, from \$3,314,973 to \$3,249,579.

The Water Fund provides water service to most residents and businesses of the City on a cost reimbursement basis. Operating revenues decreased by a nominal amount of \$6,256 this past year. Water usage remains constant even though Indian Summer has moved out of the City. The company they shared their facilities with, Nakano, is the large water user and continues to use water to the same degree as before. Operating Expenses increased by \$67,451 over the previous year. The net assets increased by \$65,551, from \$4,258,700 to \$4,324,251.

General Fund Budgetary Highlights

Differences between the General Fund actual results and the final amended budget amounted to a positive \$80,397, as revenues were \$39,934 higher than budgeted and expenses were \$40,463 lower than budgeted. This occurred even though state shared revenues were \$23,801 less than budgeted. The fund balance did decrease by a nominal amount of \$2,683 versus a decrease of \$83,080 as budgeted. The positive variance resulted from the Police Department being \$27,263 under budget and the Parks budget \$11,560 under budget. These two items, coupled with taxes being \$13,147 more than anticipated and a grant from FEMA for fire equipment being \$15,000 more than anticipated, resulted in this positive variance from the budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$13,615,775 (net of accumulated depreciation). Of this amount, \$4,476,014 was for its governmental type activities and \$9,139,761 was for its business-type activities. This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Completed construction on the Dial-A-Ride facility.
- Completed construction on a new water well at the back of Demorest Field and new water main along Water Street with a river crossing by Maple Street.
- Completed construction on new water main along M44 from Broas to Hall. This was performed in conjunction with the reconstruction of M44 along this stretch of roadway.
- Purchased a new aerial fire truck at a cost of \$400,000.
- Purchased twenty-two Scott Air Packs for \$77,000 through a FEMA grant.
- Purchased a thermal imaging camera for \$12,400 through a FEMA grant.
- Installed a new roof on the Fire Station at a cost of \$19,700.
- Purchased a new loader at a cost of \$95,750.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,295,896. Of this amount, \$1,280,153 comprised debt backed by the full faith and credit of the government, \$1,370,743 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and \$1,645,000 relates to component unit debt (TIFA and LDFA).

The City's total debt increased by \$574,429, or 15.4%, during the current fiscal year. The increase is the result of the new water well and water mains, for which the city issued \$685,000 in revenue bonds through the DWRP program. In addition, a \$400,000 installment loan was taken out for the purchase of a new aerial fire truck. The City increased its bond rating with Standard & Poor's this past year for the first time in years from a "BBB" rating to a "BBB+".

The City debt limit, as defined by statute, is ten percent (10%) of state equalized property values, which currently equals \$11,118,500. Total City long-term debt is \$4,295,896 (including \$1,645,000 of component unit debt) at June 30, 2004. Of this amount, \$2,925,153 is subject to the debt limit. Therefore, the City could legally borrow an additional \$8,193,347.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2004/05 fiscal year:

- The deterioration of the State of Michigan's economy will likely result in additional decreases in state funding. The actual magnitude of the decrease will depend upon the economy's effect on state sales tax collection.
- The City's unemployment rate for June 2003 was 9.2%, which is down slightly from last year's rate of 10.3%. This compares unfavorably to the state's average unemployment rate of 6.8% and the national average rate of 5.8%.

The adopted fiscal year 2004-05 budget includes a General Fund appropriation of \$2,359,361, a decrease of \$252,034 over the 2003-04 budget. The budget calls for no new positions to be added to the current staff. The property tax rate continues to be 16.95 mills. The water and sewer rates increased based on a recommendation from the water and sewer rate study that was completed.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Randall S. DeBruine, Finance Director/Treasurer, 120 S. Pleasant Street, Belding, Michigan 48809.

CITY OF BELDING

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Local Development Finance Authority	Tax Increment Finance Authority
Assets					
Cash and cash equivalents	\$ 3,111,039	\$ -	\$ 3,111,039	\$ 22,591	\$ 95,937
Investments	102,819	-	102,819	-	-
Accounts receivable	536,361	442,191	978,552	-	-
Accrued interest receivable	20,543	369	20,912	100	-
Special assessment receivable	3,480	-	3,480	-	-
Internal balances	236,066	(236,066)	-	-	-
Prepaid items and other assets	36,127	-	36,127	-	-
Deposits	3,000	-	3,000	-	-
Restricted assets					
Cash and cash equivalents	-	133,714	133,714	-	-
Capital assets					
Land	510,450	57,234	567,684	-	-
Buildings, equipment and fixture, net	3,453,192	9,082,527	12,535,719	-	-
Infrastructure, net	491,848	-	491,848	-	-
Construction in progress	20,524	-	20,524	-	-
Total assets	8,525,449	9,479,969	18,005,418	22,691	95,937
Liabilities					
Accounts payable	58,150	67,477	125,627	-	-
Accrued liabilities	117,903	19,409	137,312	113	12,315
Due to other governmental units	-	4,838	4,838	-	-
Customer deposits	-	18,776	18,776	-	-
Deferred revenue	73,761	-	73,761	-	-
Noncurrent liabilities:					
Due within one year	108,531	145,000	253,531	25,000	100,000
Due in more than one year	1,284,415	1,225,743	2,510,158	-	1,520,000
Total liabilities	1,642,760	1,481,243	3,124,003	25,113	1,632,315
Net Assets					
Invested in capital assets, net of related debt	3,195,861	7,769,018	10,964,879	-	-
Restricted for:					
Major Streets	255,832	-	255,832	-	-
Local Streets	114,916	-	114,916	-	-
Museum	656	-	656	-	-
Building Authority	1,687	-	1,687	-	-
Debt service	-	13,714	13,714	-	-
Nonexpendable perpetual trusts					
Riverridge Cemetery-expendable portion	5,300	-	5,300	-	-
Riverridge Cemetery	89,764	-	89,764	-	-
Alvah N. Belding Library	33,500	-	33,500	-	-
Unrestricted (deficit)	3,185,173	215,994	3,401,167	(2,422)	(1,536,378)
Total net assets (deficit)	\$ 6,882,689	\$ 7,998,726	\$ 14,881,415	\$ (2,422)	\$ (1,536,378)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 803,680	\$ 115,781	\$ 120,065	\$ 37,815	\$ (530,019)
Public safety	1,732,955	577,795	1,882	80,793	(1,072,485)
Highways and streets	406,188	29,688	458,115	-	81,615
Recreation and culture	549,764	10,822	51,369	-	(487,573)
Planning	70,082	12,702	-	-	(57,380)
Interest on long-term debt	64,931	-	-	-	(64,931)
Total governmental activities	<u>3,627,600</u>	<u>746,788</u>	<u>631,431</u>	<u>118,608</u>	<u>(2,130,773)</u>
Business-type activities:					
Dial-a-Ride	335,802	67,876	294,781	41,008	67,863
Sewer	643,387	577,726	-	-	(65,661)
Water	616,180	515,039	-	164,827	63,686
Total business-type activities	<u>1,595,369</u>	<u>1,160,641</u>	<u>294,781</u>	<u>205,835</u>	<u>65,888</u>
Total primary government	<u>\$5,222,969</u>	<u>\$1,907,429</u>	<u>\$ 926,212</u>	<u>\$ 324,443</u>	<u>\$ (2,064,885)</u>
Component unit activities:					
Local Development Finance Authority	\$ 994	\$ -	\$ -	\$ -	\$ (994)
Tax Increment Finance Authority	86,738	-	-	-	(86,738)
Total component units	<u>\$ 87,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (87,732)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

STATEMENT OF ACTIVITIES (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Local Development Finance Authority	Tax Increment Finance Authority
Changes in net assets					
Net (expense) revenue	<u>\$(2,130,773)</u>	<u>\$ 65,888</u>	<u>\$ (2,064,885)</u>	<u>\$ (994)</u>	<u>\$ (86,738)</u>
General revenues:					
Property taxes	1,601,212	-	1,601,212	73	225,374
Grants and contributions not restricted to specific programs	-	-	-	-	-
State shared revenues	751,617	-	751,617	-	-
Gain on sale of capital assets	-	-	-	-	-
Interest earnings	71,840	2,920	74,760	108	1,054
Contributions to permanent funds	-	-	-	-	-
Other general revenues	194,490	4,562	199,052	27,575	-
Transfers - internal activities	<u>(55,000)</u>	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>2,564,159</u>	<u>62,482</u>	<u>2,626,641</u>	<u>27,756</u>	<u>226,428</u>
Change in net assets	433,386	128,370	561,756	26,762	139,690
Net assets (deficit), beginning of year	<u>6,449,303</u>	<u>7,870,356</u>	<u>14,319,659</u>	<u>(29,184)</u>	<u>(1,676,068)</u>
Net assets (deficit), end of year	<u>\$ 6,882,689</u>	<u>\$ 7,998,726</u>	<u>\$14,881,415</u>	<u>\$ (2,422)</u>	<u>\$ (1,536,378)</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2004

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>AMBULANCE</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Cash and cash equivalents	\$ 813,685	\$ -	\$ 1,609,517	\$ 2,423,202
Investments	-	-	102,819	102,819
Accrued interest receivable	5,827	197	10,764	16,788
Accounts receivable	9,319	90,668	90,005	189,992
Special assessments receivable	3,480	-	-	3,480
Deposits	3,000	-	-	3,000
Due from other funds	312,622	-	-	312,622
Due from other governmental units	245,967	-	98,589	344,556
<u>TOTAL ASSETS</u>	<u>\$ 1,393,900</u>	<u>\$ 90,865</u>	<u>\$ 1,911,694</u>	<u>\$ 3,396,459</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 26,762	\$ 5,751	\$ 11,427	\$ 43,940
Accrued liabilities	106,117	-	-	106,117
Customer deposits	-	-	-	-
Due to other funds	-	38,952	-	38,952
Due to other governmental units	-	-	-	-
Deferred revenue	52,094	25,148	80,000	157,242
Accrued wages and compensated absences	-	-	-	-
TOTAL LIABILITIES	<u>184,973</u>	<u>69,851</u>	<u>91,427</u>	<u>346,251</u>
FUND BALANCES				
Reserved for:				
Museum	-	-	656	656
Building Authority	-	-	1,687	1,687
Unreserved				
Undesignated	1,208,927	21,014	-	1,229,941
Undesignated, reported in nonmajor				
Special Revenue Funds	-	-	1,337,439	1,337,439
Capital Project Funds	-	-	351,921	351,921
Permanent Funds	-	-	128,564	128,564
TOTAL FUND BALANCES	<u>1,208,927</u>	<u>21,014</u>	<u>1,820,267</u>	<u>3,050,208</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,393,900</u>	<u>\$ 90,865</u>	<u>\$ 1,911,694</u>	<u>\$ 3,396,459</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Fund balances - total governmental funds	\$ 3,050,208
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Add: capital assets, net of accumulated depreciation	3,965,564
Add: land	510,450
Certain assets, such as special assessments receivable, and the Richardson Mills Fund receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statement	
Add: special assessments receivable	3,480
Add: Richardson Mills receivable	80,000
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities	
Add: net assets of governmental activities accounted for in internal service funds	1,134,590
Subtract: Capital assets accounted for in internal service funds, net of accumulated depreciation	(457,812)
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds payable	(1,273,282)
Subtract: compensated absences	(119,664)
Subtract: accrued interest on long-term liabilities	(10,845)
Net assets of governmental activities	<u>\$ 6,882,689</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	AMBULANCE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 1,246,797	\$ -	\$ 354,415	\$ 1,601,212
Licenses and permits	14,704	-	-	14,704
Intergovernmental revenue				
Federal	95,793	-	-	95,793
State	753,499	-	-	753,499
Charges for services	191,587	471,290	509,996	1,263,495
Fines	22,095	-	219,748	882,625
Special assessments	3,950	-	-	22,095
Donations	-	-	-	3,950
Miscellaneous	93,697	3,610	49,722	49,722
	<u>2,422,122</u>	<u>474,900</u>	<u>1,221,895</u>	<u>4,118,917</u>
TOTAL REVENUES				
EXPENDITURES				
Current:				
General government	628,617	-	157,868	786,485
Public safety	1,673,746	527,257	-	2,201,003
Highways and streets	-	-	399,659	399,659
Engineering	-	-	-	-
Public works	-	-	-	-
District courts	-	-	-	-
Inspections	-	-	-	-
Culture and recreation	118,580	-	-	-
Planning	70,227	-	259,094	377,674
Debt Service:				
Principal	75,847	-	-	70,227
Interest	14,937	-	30,000	105,847
Capital outlay	-	-	47,875	62,812
	<u>2,581,954</u>	<u>527,257</u>	<u>948,158</u>	<u>4,057,369</u>
TOTAL EXPENDITURES				
REVENUES OVER (UNDER) EXPENDITURES	<u>(159,832)</u>	<u>(52,357)</u>	<u>273,737</u>	<u>61,548</u>
OTHER FINANCING SOURCES (USES)				
Note proceeds	400,000	-	-	400,000
Transfers in	-	-	192,851	192,851
Transfers out	(242,851)	(5,000)	-	(247,851)
	<u>157,149</u>	<u>(5,000)</u>	<u>192,851</u>	<u>345,000</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGES IN FUND BALANCES	(2,683)	(57,357)	466,588	406,548
FUND BALANCES, BEGINNING OF YEAR	<u>1,211,610</u>	<u>78,371</u>	<u>1,353,679</u>	<u>2,643,660</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,208,927</u>	<u>\$ 21,014</u>	<u>\$ 1,820,267</u>	<u>\$ 3,050,208</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Net changes in fund balances - total governmental funds	\$ 406,548
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	533,344
Subtract - depreciation expense	(220,406)
Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements	
Deduct - long term receivables	(13,754)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	
Add - principal payments on long-term liabilities	105,847
Deduct - note proceeds received for installment purchase agreement	(400,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Deduct - increase in accrued interest on bonds	(2,119)
Add - decrease in the accrual for compensated absences	6,871
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.	
Add - income from governmental activities in internal service fund	17,055
Change in net assets of governmental activities	<u>\$ 433,386</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,233,650	\$ 1,233,650	\$ 1,246,797	\$ 13,147
Licenses and permits	5,750	5,750	14,704	8,954
Federal	-	80,793	95,793	15,000
State	762,300	777,300	753,499	(23,801)
Charges for services	177,195	177,195	191,587	14,392
Fines and forfeits	10,800	10,800	22,095	11,295
Special assessment revenue	3,500	3,500	3,950	450
Miscellaneous	93,200	93,200	93,697	497
TOTAL REVENUES	<u>2,286,395</u>	<u>2,382,188</u>	<u>2,422,122</u>	<u>39,934</u>
EXPENDITURES				
General Government				
City council	12,251	12,251	8,969	3,282
City manager	214,733	218,233	226,118	(7,885)
Finance and administrative services	184,845	184,845	183,385	1,460
Central municipal activities	136,449	151,449	150,417	1,032
Cemetery	60,378	60,378	59,728	650
TOTAL GENERAL GOVERNMENT	<u>608,656</u>	<u>627,156</u>	<u>628,617</u>	<u>(1,461)</u>
Public Safety				
Police	726,381	743,381	716,118	27,263
Fire	793,336	960,129	957,628	2,501
TOTAL PUBLIC SAFETY	<u>1,519,717</u>	<u>1,703,510</u>	<u>1,673,746</u>	<u>29,764</u>
Culture and Recreation				
Park maintenance	83,848	83,848	72,288	11,560
Community center	21,855	23,855	23,562	293
Community promotions	22,930	22,930	22,730	200
TOTAL CULTURE AND RECREATION	<u>128,633</u>	<u>130,633</u>	<u>118,580</u>	<u>12,053</u>
Debt service				
Principal retirement	75,847	75,847	75,847	-
Interest and fiscal charges	14,937	14,937	14,937	-
TOTAL DEBT SERVICE	<u>90,784</u>	<u>90,784</u>	<u>90,784</u>	<u>-</u>
OTHER FUNCTIONS				
Planning and zoning	87,334	70,334	70,227	107
TOTAL OTHER FUNCTIONS	<u>87,334</u>	<u>70,334</u>	<u>70,227</u>	<u>107</u>
TOTAL EXPENDITURES	<u>2,435,124</u>	<u>2,622,417</u>	<u>2,581,954</u>	<u>40,463</u>
REVENUES OVER EXPENDITURES	<u>(148,729)</u>	<u>(240,229)</u>	<u>(159,832)</u>	<u>80,397</u>
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	400,000	400,000	-
Transfers (out)	(242,851)	(242,851)	(242,851)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(242,851)</u>	<u>157,149</u>	<u>157,149</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(391,580)</u>	<u>(83,080)</u>	<u>(2,683)</u>	<u>80,397</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,211,610</u>	<u>1,211,610</u>	<u>1,211,610</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 820,030</u>	<u>\$ 1,128,530</u>	<u>\$ 1,208,927</u>	<u>\$ 80,397</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL AMBULANCE FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for services	\$ 500,576	\$ 430,684	\$471,290	\$ 40,606
Miscellaneous	<u>10,800</u>	<u>10,800</u>	<u>3,610</u>	<u>(7,190)</u>
TOTAL REVENUES	511,376	441,484	474,900	33,416
EXPENDITURES				
Public Safety	<u>532,044</u>	<u>532,044</u>	<u>527,257</u>	<u>4,787</u>
TOTAL EXPENDITURES	<u>532,044</u>	<u>532,044</u>	<u>527,257</u>	<u>4,787</u>
REVENUES OVER (UNDER) EXPENDITURES	(20,668)	(90,560)	(52,357)	38,203
OTHER FINANCING SOURCES				
Transfers (out)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(25,668)	(95,560)	(57,357)	38,203
FUND BALANCES, BEGINNING OF YEAR	<u>78,371</u>	<u>78,371</u>	<u>78,371</u>	<u>-</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 52,703</u>	<u>\$ (17,189)</u>	<u>\$ 21,014</u>	<u>\$ 38,203</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2004

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
	<u>DIAL-A-RIDE</u> <u>TRANSIT</u>	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>INTERNAL</u> <u>SERVICE</u> <u>FUNDS</u>
CURRENT ASSETS					\$ 687,837
Cash and cash equivalents	\$ -	\$ -	\$ -	-	-
Restricted cash and cash equivalents	-	133,714	-	133,714	-
Accrued interest receivable	-	369	-	369	3,755
Accounts receivable	11,420	166,873	163,154	341,447	1,813
Due from other funds	-	24,579	-	24,579	-
Due from other governmental units	-	-	100,744	100,744	-
Prepaid expenses	-	-	-	-	36,127
TOTAL CURRENT ASSETS	11,420	325,535	263,898	600,853	729,532
CAPITAL ASSETS					-
Land	-	44,814	12,420	57,234	-
Land improvements	-	11,463	-	11,463	-
Buildings and plant	482,035	1,544,295	2,591,280	4,617,610	139,228
Vehicles	255,817	-	-	255,817	1,687,064
Machinery and equipment	-	-	3,840,662	3,840,662	65,189
Sewer system	-	3,903,421	-	3,903,421	-
Work in progress	-	-	-	-	-
	737,852	5,503,993	6,444,362	12,686,207	1,891,481
Less: Accumulated depreciation	(267,357)	(1,737,043)	(1,542,046)	(3,546,446)	(1,433,669)
TOTAL CAPITAL ASSETS	470,495	3,766,950	4,902,316	9,139,761	457,812
TOTAL ASSETS	481,915	4,092,485	5,166,214	9,740,614	1,187,344
<u>LIABILITIES</u>					
CURRENT LIABILITIES					14,210
Accounts payable	281	6,057	61,139	67,477	-
Accrued liabilities	-	-	-	-	-
Due to other funds	48,340	142,539	69,766	260,645	37,604
Due to other governmental units	4,838	-	-	4,838	-
Accrued compensated absences	3,560	8,567	7,282	19,409	940
Customer deposits payable	-	-	18,776	18,776	-
TOTAL CURRENT LIABILITIES	57,019	157,163	156,963	371,145	52,754
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS					-
Current maturity of bonds payable	-	120,000	25,000	145,000	-
NONCURRENT LIABILITIES					-
Bonds payable, net of current maturities	-	565,743	660,000	1,225,743	-
TOTAL LIABILITIES	57,019	842,906	841,963	1,741,888	52,754
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	470,495	3,081,207	4,217,316	7,769,018	457,812
Restricted for debt service	-	13,714	-	13,714	-
Unrestricted (deficit)	(45,599)	154,658	106,935	215,994	676,778
TOTAL NET ASSETS	\$ 424,896	\$ 3,249,579	\$ 4,324,251	\$ 7,998,726	\$ 1,134,590

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	DIAL-A-RIDE TRANSIT	SEWER	WATER	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					\$ 1,115,411
Charges for services	\$ 67,785	\$ 577,726	\$ 515,039	\$ 1,160,550	-
Miscellaneous	441	-	4,212	4,653	-
	<u>68,226</u>	<u>577,726</u>	<u>519,251</u>	<u>1,165,203</u>	<u>1,115,411</u>
OPERATING EXPENSES					51,813
Personnel services	164,117	190,843	144,370	499,330	188,847
Contractual services	50,144	132,170	127,799	310,113	463,245
Benefits	-	-	-	-	74,739
Materials and supplies	16,325	21,759	35,907	73,991	69,580
Utilities	7,640	40,020	60,850	108,510	116,083
Repairs and maintenance	24,563	54,824	63,223	142,610	35,988
Lease and rental	-	50,727	50,480	101,207	102,848
Depreciation	48,887	132,201	125,485	306,573	6,036
Miscellaneous	24,126	4,828	2,885	31,839	-
	<u>335,802</u>	<u>627,372</u>	<u>610,999</u>	<u>1,574,173</u>	<u>1,109,179</u>
TOTAL OPERATING EXPENSES					6,232
	<u>(267,576)</u>	<u>(49,646)</u>	<u>(91,748)</u>	<u>(408,970)</u>	<u>6,232</u>
OPERATING INCOME (LOSS)					
NON OPERATING REVENUES (EXPENSES)					-
Federal grants	176,617	-	164,827	341,444	-
State grants	159,172	-	-	159,172	-
Interest income	-	2,767	153	2,920	10,823
Interest expense	-	(16,015)	(5,181)	(21,196)	-
	<u>335,789</u>	<u>(13,248)</u>	<u>159,799</u>	<u>482,340</u>	<u>10,823</u>
TOTAL NON OPERATING REVENUES (EXPENSES)					
	<u>68,213</u>	<u>(62,894)</u>	<u>68,051</u>	<u>73,370</u>	<u>17,055</u>
NET INCOME (LOSS) BEFORE TRANSFERS					
TRANSFERS					-
Transfers in	60,000	-	-	60,000	-
Transfers out	-	(2,500)	(2,500)	(5,000)	-
	<u>60,000</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>55,000</u>	<u>-</u>
TOTAL TRANSFERS					
	<u>128,213</u>	<u>(65,394)</u>	<u>65,551</u>	<u>128,370</u>	<u>17,055</u>
CHANGE IN NET ASSETS					
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	296,683	3,314,973	4,258,700	7,870,356	1,117,535
	<u>296,683</u>	<u>3,314,973</u>	<u>4,258,700</u>	<u>7,870,356</u>	<u>1,117,535</u>
NET ASSETS, END OF YEAR	\$ 424,896	\$ 3,249,579	\$ 4,324,251	\$ 7,998,726	\$ 1,134,590

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	DIAL-A-RIDE TRANSIT	SEWER	WATER	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ -	\$ 1,157,697
Receipts from customers and users	143,314	597,267	520,032	1,260,613	-
Payments to suppliers	(165,469)	(305,930)	(327,541)	(798,940)	(494,644)
Payments to employees	(168,453)	(193,886)	(147,123)	(509,462)	(515,368)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(190,608)	97,451	45,368	(47,789)	147,685
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Intergovernmental revenue:					
Federal	176,617	-	164,827	341,444	-
State	159,172	-	-	159,172	-
Transfers in	60,000	-	-	60,000	-
Transfers (out)	-	(2,500)	(2,500)	(5,000)	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	395,789	(2,500)	162,327	555,616	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(205,181)	-	(712,943)	(918,124)	(280,681)
Proceeds of bond issue	-	-	685,000	685,000	-
Principal paid on bonds	-	(115,000)	-	(115,000)	-
Payment on refunded bonds	-	-	(174,724)	(174,724)	-
Interest and fiscal charges paid	-	(16,015)	(5,181)	(21,196)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(205,181)	(131,015)	(207,848)	(544,044)	(280,681)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earned on investments	-	2,767	153	2,920	10,823
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(33,297)	-	(33,297)	(122,173)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	167,011	-	167,011	810,010
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 133,714	\$ -	\$ 133,714	\$ 687,837
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (267,576)	\$ (49,646)	\$ (91,748)	\$ (408,970)	\$ 6,232
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	48,887	132,201	125,485	306,573	102,848
Changes in operating assets and liabilities which provided (used) cash:					
Accrued interest receivable	-	374	-	374	3,794
Accounts receivable	1,569	(11,894)	(11,268)	(21,593)	888
Due from other funds	-	(24,579)	-	(24,579)	-
Due from other governmental units	161,892	-	73,980	235,872	-
Prepaid expenses	-	-	-	-	2,243
Accounts payable	(42,671)	(1,602)	13,603	(30,670)	(5,614)
Accrued liabilities	(3,170)	(4,296)	(1,875)	(9,341)	(874)
Due to other funds	(49,750)	55,640	(57,082)	(51,192)	37,604
Due to other governmental units	(38,623)	-	-	(38,623)	-
Accrued compensated absences	(1,166)	1,253	(878)	(791)	564
Customer deposits payable	-	-	(4,849)	(4,849)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (190,608)	\$ 97,451	\$ 45,368	\$ (47,789)	\$ 147,685
CASH AND CASH EQUIVALENTS ARE CAPTIONED ON THE BALANCE SHEET AS FOLLOWS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 687,837
Restricted cash and cash equivalents	-	133,714	-	133,714	-
	\$ -	\$ 133,714	\$ -	\$ 133,714	\$ 687,837

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

FIDUCIARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2004

	PENSION TRUST EMPLOYEES' RETIREMENT SYSTEM	AGENCY FUND
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 33,489
Investments	2,184,087	-
Accounts receivable	-	280
Participant loans	18,800	-
<u>TOTAL ASSETS</u>	<u>2,202,887</u>	<u>\$ 33,769</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
 LIABILITIES		
Accounts payable	-	33,769
 TOTAL LIABILITIES	 -	 <u>\$ 33,769</u>
 NET ASSETS		
Reserved for employees' pension benefits	<u>\$ 2,202,887</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

STATEMENT OF CHANGES IN PLAN NET ASSETS EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2004

ADDITIONS

Contributions - employer	\$ 127,578
Contributions - employee	<u>9,682</u>
TOTAL CONTRIBUTIONS	137,260
Investment income	<u>221,430</u>
TOTAL ADDITIONS	<u>358,690</u>

DEDUCTIONS

Benefit payments, withdrawals, and forfeitures	94,547
Transfer to defined benefit plan	<u>14,899</u>
TOTAL DEDUCTIONS	<u>109,446</u>

NET DECREASE	249,244
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

BEGINNING OF YEAR	<u>1,953,643</u>
END OF YEAR	<u>\$ 2,202,887</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Belding conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities with which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the Basic Financial Statements provides detailed financial information on the discretely presented component units.

Blended Component Unit

The Belding Building Authority – The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the primary government.

Discretely Presented Component Units

The component unit columns in the basic financial statements include the financial data of the Local Development Finance Authority and Tax Increment Finance Authority. These units are reported in a separate column and rows to emphasize that they are legally separate from the City.

The members of the governing boards of these Authorities are appointed by the City Council. The budgets of these Authorities must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the County pays the City, and is responsible for collecting, any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Ambulance Special Revenue Fund* is used to account for the revenues and expenditures related to the City-run ambulance service. This fund is primarily funded through user fees combined with a General Fund appropriation and township contractual monies.

The City reports the following major proprietary funds:

The *Dial-A-Ride Enterprise Fund* is used to account for the operation of the public transportation system. Revenues are derived from both Federal and State operating assistance along with passenger fares and various contracts with other entities.

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than perpetual trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Projects Fund* accounts for the accumulation and disbursement of resources for the construction of City capital projects.

The *Permanent Funds* are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Alvah N. Belding Library* accounts for the donations of Alvah N. Belding to the City that stipulated that the principal be preserved and only the interest be used for library operations.

The *River Ridge Cemetery* accounts for the revenue received in prior years from perpetual care charges paid by the families of those persons buried in the cemetery. The principal in this fund must be maintained intact per state law and the interest earnings are transferred to the General Fund to help finance the perpetual care of cemeteries.

The *Internal Service Funds* account for data processing, equipment purchases, and insurance coverage provided to the City departments on a cost reimbursement basis.

The *Trust and Agency Funds* are used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. These include a pension trust and an agency fund.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment utilization and insurance coverage. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the government fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed during the year ended June 30, 2004. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity. Supplemental appropriations were necessary during the year.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

Budgets for expenditures are adopted on an activity level basis in the General Fund and by function in the Special Revenue funds. Thus, expenditures may not legally exceed the budgeted amounts by activity for the General Fund and by function for the Special Revenue funds.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value at the balance sheet date.

Restricted Assets

Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are estimated to be \$23,540 at year end, based on outstanding billings for ambulance services in the Ambulance Special Revenue Fund.

Due to/from Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added in 2003 and 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation on capital assets (including infrastructure), as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-20
Buildings	50
Office furniture and equipment	5-10
Vehicles	5
Public domain infrastructure	20-50
System infrastructure	50

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Special assessment (General Fund)	\$ 3,480
Fire service contracts (General Fund)	48,614
Ambulance contracts (Ambulance Fund)	25,148
Receivable from Richardson Mills Partnership (Richardson Mills Fund)	<u>80,000</u>
	<u>\$157,242</u>

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts.

Accumulated vacation time of governmental funds is recorded on statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds have been evaluated and determined to be immaterial to the financial statements as a whole. Consequently, no portion of the liability is reported on the statements of net assets of the individual enterprise funds.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 15. These summer tax bills include the City's own property taxes and taxes billed on behalf of the school district within the City limits and the Ionia County Intermediate Schools. Real property taxes not collected as of March 1 are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Pension Plans

The City contributes to three pension plans. The City accounts for its Employee Retirement System Pension Plan, reported in the Pension Trust Fund under Government Accounting Standards Board (GASB) Statement No. 25 concerning Financial Reporting for Defined Benefit Pension Plans. The other Plans, an agent multiple-employer defined benefit and one defined contribution plan, also follow GASB defined requirements.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

During the year ended June 30, 2004, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
City Manager	\$218,233	\$226,118	\$(7,885)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The captions on the combined balance sheet relating to cash and cash equivalents and the amounts in the Total (Memorandum Only) column are as follows:

	Govern- mental Activities	Business- Type Activities	Component Units		Fiduciary Funds		
			LDFA	TIFA	Pension Trust	Agency Funds	Total
Cash and cash equivalents	\$3,111,039	\$ -	\$22,591	\$95,937	\$ -	\$33,489	\$3,263,056
Investments	102,819	-	-	-	2,184,087	-	2,286,906
Restricted assets - cash and cash equivalents	-	133,714	-	-	-	-	133,714
	<u>\$3,213,858</u>	<u>\$133,714</u>	<u>\$22,591</u>	<u>\$95,937</u>	<u>\$2,184,087</u>	<u>\$33,489</u>	<u>\$5,683,676</u>

Bank Balance

The bank balances of the City's deposits were classified as to risk as follows:

Insured (FDIC)	\$ 756,257
Uninsured, uncollateralized	2,904,321
Total	<u>\$3,660,578</u>

These deposits are in ten (10) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Investments

State statutes authorize the City to invest in the following:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

CITY OF BELDING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

	<u>Fair Value/ Carrying Amount</u>
<i>Investments</i>	
Uncategorized as to risk:	
ICMA Retirement Corporation	
Employees Retirement Fund	<u>\$2,184,087</u>

The categories of risk disclosure are as follows:

- (1) Insured or Registered, or Securities held by the City or the City's agent in the City's name.
- (2) Uninsured and Unregistered, with Securities held by the Counterparty's Trust Department or its agent in the City's name.
- (3) Uninsured and Unregistered, with Securities held by the Counterparty or by its Trust Department or Agent but not in the City's name.

The above investments are not categorized as to risk, as they are not evidenced by securities that exist in physical or book entry form.

CITY OF BELDING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4. INTERFUND RECEIVABLES AND PAYABLES

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$312,622	\$ -
Enterprise Funds		
Sewer	24,579	142,539
Water	-	69,766
Dial-A-Ride	-	48,340
Special Revenue Funds	-	38,952
Ambulance	-	-
Internal Service Funds	-	37,604
Building Grounds and Maintenance	-	-
	<u>\$337,201</u>	<u>\$337,201</u>

Interfund balances primarily reflect loans made from funds with cash and cash equivalents to those funds requiring temporary cash flow needs.

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2004 are as follows:

	<u>Transfers In by Fund</u>		
	<u>Non- Major Funds</u>	<u>Dial-A-Ride Fund</u>	<u>Total</u>
General Fund	\$182,851	\$60,000	\$242,851
Ambulance	5,000	-	5,000
Sewer	2,500	-	2,500
Water	2,500	-	2,500
	<u>\$192,851</u>	<u>\$60,000</u>	<u>\$252,851</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

CITY OF BELDING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2004</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 510,450	\$ -	\$ -	\$ 510,450
Construction in progress	-	20,524	-	20,524
Total capital assets, not being depreciated	510,450	20,524	-	530,974
Capital assets, being depreciated:				
Land improvements	1,733,224	-	-	1,733,224
Buildings and improvements	2,068,781	28,395	-	2,097,176
Furniture and equipment	340,177	100,923	-	441,100
Motor vehicles	1,908,900	646,487	-	2,555,387
Infrastructure	504,692	17,697	-	522,389
Total capital assets, being depreciated	6,555,774	793,502	-	7,349,276
Less accumulated depreciation for:				
Land improvements	513,776	69,160	-	582,936
Buildings and improvements	988,732	82,670	-	1,071,402
Furniture and equipment	105,088	33,321	-	138,409
Motor vehicles	1,462,552	118,396	-	1,580,948
Infrastructure	10,834	19,707	-	30,541
Total accumulated depreciation	3,080,982	323,254	-	3,404,236
Net capital assets, being depreciated	3,474,792	470,248	-	3,945,040
Net governmental activities capital assets	\$3,985,242	\$490,772	\$ -	\$4,476,014

CITY OF BELDING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

6. CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2003	Additions	Dispositions	Balance June 30, 2004
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 57,234	\$ -	\$ -	\$ 57,234
Construction in progress	392,714	-	(392,714)	-
Total capital assets, not being depreciated	449,948	-	(392,714)	57,234
Capital assets, being depreciated:				
Land improvements	11,463	-	-	11,463
Buildings	3,789,973	827,637	-	4,617,610
Vehicles	255,817	-	-	255,817
Infrastructure	7,260,882	483,201	-	7,744,083
Total capital assets, being depreciated	11,318,135	1,310,838	-	12,628,973
Less accumulated depreciation for:				
Land improvements	(11,463)	-	-	(11,463)
Buildings	(1,391,233)	(74,645)	-	(1,465,878)
Vehicles	(181,454)	(45,389)	-	(226,843)
Infrastructure	(1,655,723)	(186,539)	-	(1,842,262)
Total accumulated depreciation	(3,239,873)	(306,573)	-	(3,546,446)
Net capital assets, being depreciated	8,078,262	1,004,265	-	9,082,527
Business-type activities capital assets, net	\$8,528,210	\$1,004,265	\$(392,714)	\$9,139,761

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	\$17,832
General government	46,587
Public safety	10,892
Highways and streets	145,095
Recreation and culture	102,848
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	323,254
Total depreciation expense – governmental activities	\$323,254
Business-type activities:	\$ 48,887
Dial-A-Ride	132,201
Sewer	125,485
Water	306,573
Total depreciation expense – business-type activities	\$306,573

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

7. PENSION PLANS

Defined Contribution Pension Plan

The City of Belding's Employee Retirement System is a defined contribution plan, which provides pension benefits for substantially all employees working more than 1,000 hours per year exclusive of those electing participation in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The City contributes 9% of each participant's base salary to the plan. The City's contributions are vested 100% upon hire. The plan provisions and contribution amounts were established by City Council and may be amended by City Council. Assets of the Plan are recorded in the Pension Trust Fund. The plan is administered by the ICMA.

The City's total payroll for the year ending June 30, 2004 was \$2,340,750. The City's contribution of \$127,578 was calculated using the base salary amount of \$1,417,530. City employees also made non-deductible voluntary contributions to the plan totaling \$9,682, which was 0.6% of covered payroll.

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value.

Library employees are covered under a separate plan in which the City is contributing to separate retirement annuity accounts for four individuals. The value of these annuities is not included in the Pension Trust Fund. The contribution to the plan was \$8,979 based on covered payroll in the amount of \$89,794 for the year ended June 30, 2004, which was 10% of covered payroll.

Plan Description

Effective May 2, 2000, the City began participating in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits covering certain bargaining units. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City funded the pension with an initial transfer from the City wide defined contribution plan of \$567,498 during the year ended June 30, 2000 and is required to contribute at an actuarially determined rate, which for the current year was 12.9%. Participating employees are required to contribute 7 percent of gross wages to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board.

For the year ended June 30, 2004, the City's annual pension cost of \$34,115 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the initial entry into the plan using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

7. PENSION PLANS (CONTINUED)

Plan Description (Continued)

<u>Year Ended</u>	Trend Information		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$36,619	100%	\$ -
2003	31,608	100%	-
2004	34,115	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2001	\$607,911	\$1,208,961	\$601,050	50%	\$414,781	145%
12/31/2002	623,532	1,269,052	645,520	49%	303,266	213%
12/31/2003	637,106	1,296,924	659,818	49%	327,617	201%

8. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental Activities					
Fire truck loan, \$400,000, 4.388%	\$ -	\$400,000	\$ (54,847)	\$ 345,153	\$ 51,531
\$180,000, 1996 Michigan Municipal Bond Authority - Firetruck. Payments due in annual installments of \$16,000 to \$23,000 through November 1, 2005; interest at 5.6%	66,000		(21,000)	45,000	22,000
\$950,000 Building Authority Bonds, Series 2000. Payments due in annual installments of \$30,000 to \$80,000 through November 1, 2020; interest at 5.25% to 5.375%	920,000		(30,000)	890,000	35,000
Total Governmental Activities	986,000	400,000	(105,847)	1,280,153	108,531
Accrued Employee Benefits	119,664	17,468	(24,339)	112,793	-
Total Governmental Activities	1,105,664	417,468	(130,186)	1,392,946	108,531

CITY OF BELDING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

8. LONG-TERM DEBT (CONTINUED)

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<i>Business-type Activities</i>					
\$174,724 City of Belding Water Supply System Revenue Bonds	\$ 174,724	\$ -	\$(174,724)	\$ -	\$ -
\$2,245,000 City of Belding, Sanitary Sewer System Revenue Bonds, Series 1992. Bonds due in annual installments of \$105,000 to \$130,000 through April 1, 2010; interest at 2.0%	800,743	-	(115,000)	685,743	120,000
City of Belding Act 94 Water Supply System Revenue Bonds	-	685,000	-	685,000	25,000
Total Business-type Activities	<u>975,467</u>	<u>685,000</u>	<u>(289,724)</u>	<u>1,370,743</u>	<u>145,000</u>
<i>Component Unit Debt</i>					
Local District Finance Authority:					
\$230,000 City of Belding 1994 Transportation Fund Bonds. Bonds due in annual installments of \$20,000 to \$25,000 through August 1, 2004; interest at 4.6% to 5.3%	50,000	-	(25,000)	25,000	25,000
Tax Increment Finance Authority:					
\$1,850,000 Tax Increment Refunding Bond, due in annual installments of \$20,000 to \$200,000 through May 1, 2015 interest at 3.75% to 4.75%	1,710,000	-	(90,000)	1,620,000	100,000
Total Component Unit Debt	<u>1,760,000</u>	<u>-</u>	<u>(115,000)</u>	<u>1,645,000</u>	<u>125,000</u>
Total Long-term Debt - Reporting Entity	<u>\$3,841,131</u>	<u>\$1,102,468</u>	<u>\$(534,910)</u>	<u>\$4,408,689</u>	<u>\$378,531</u>

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

8. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2004 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 108,531	\$ 63,218	\$ 145,000	\$ 30,527	\$ 125,000	\$ 74,146
2006	111,792	57,859	145,000	27,502	105,000	69,183
2007	91,152	53,018	155,000	24,415	110,000	64,615
2008	98,616	48,586	155,000	21,165	120,000	59,775
2009	101,188	43,914	160,000	17,915	135,000	54,435
2010-2014	298,873	160,676	225,743	59,818	855,000	171,331
2015-2019	315,000	85,517	180,000	37,128	195,000	15,263
2020-2024	155,000	8,466	205,000	13,067		
Total	<u>\$1,280,153</u>	<u>\$521,254</u>	<u>1,370,743</u>	<u>231,537</u>	<u>\$1,645,000</u>	<u>\$508,748</u>

During fiscal year 1999, the Tax Increment Finance Authority refunded general obligation bonds by placing the proceeds of new bonds in an escrow fund for the purpose of generating resources for all future debt service payments on the old bonds. As a result, the escrow account assets and the defeased bonds have not been included in the City's financial statements. On June 30, 2004, \$1,480,000 of bonds outstanding are considered defeased.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City is self-funded for dental insurance and carries commercial health, medical, and optical insurance. Statement No. 10 of the Governmental Accounting Standards Board requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

The activity of the self-funded insurance is accounted for in the Health-Insurance Internal Service Fund. An independent administrator is contracted to process the daily claims. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are reimbursements from various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Any claims outstanding at June 30, 2004 are considered by management to be immaterial, thus the end of year liability at June 30, 2004 is set at zero.

CITY OF BELDING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

9. RISK MANAGEMENT (CONTINUED)

Settled claims have not exceeded insurance coverage in the history of the self-insurance program. The changes in the claims liability for the years ended June 30, 2004 and 2003 are as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2003	\$ -	\$33,435	\$33,435	\$ -
2004	-	29,966	29,966	-

* * * * *

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Major Streets – This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City.

Local Streets – This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the City.

Dispatch – This fund accounts for the funds received through the 911 telephone surcharge tax that are used for the City of Belding's 911 Dispatch Center. A General Fund appropriation also contributes toward this operation.

Richardson Mills - This fund accounts for the revenue received from the Richardson Mills Partnership per the agreement reached between the City and the partnership on the promissory note.

Library – This fund accounts for the operations of the City library. This fund is primarily funded through a county-wide tax levy and State of Michigan penal fines.

Museum – This fund accounts for the operations of the City museum. The revenues are derived mostly from donations and fund-raisers.

Cemetery – This fund is used to account for the revenue and expenditures relating to River Ridge Cemetery and Old Belding Cemetery. The revenues are derived solely from sale of lots, grave openings, and interest from perpetual care monies.

Drug Forfeiture – This fund is used to account for the revenue received from assets seized in drug raids. The expenditures from this fund are to be used for purchase of items that will reduce drug activity.

The capital projects fund is used to account for the accumulation and disbursement of funds related to major capital projects.

Capital Improvements – This fund accumulates resources derived primarily for a millage levy which is to be used for capital improvements within the City.

The debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Building Authority Debt Service - This fund accounts for the funding and payment of principal and interest on debt issued to renovate the City parks. Funding is derived from a transfer from the Building Authority Fund.

The permanent trust funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the city programs.

Alvah N. Belding Library - This fund accounts for the donations of Alvah N. Belding to the City that stipulated that the principal be preserved and only the interest be used for library operations.

River Ridge Cemetery - This fund accounts for the revenue received in prior years from perpetual care charges paid by the families of those persons buried in the cemetery. The principal in this fund must be maintained intact per state law and the interest earnings are transferred to the General Fund to help finance the perpetual care of cemeteries.

CITY OF BELDING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

<u>ASSETS</u>	<u>SPECIAL REVENUE</u>					
	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>DISPATCH</u>	<u>RICHARDSON MILLS</u>	<u>LIBRARY</u>	<u>MUSEUM</u>
Cash and cash equivalents	\$ 203,454	\$ 99,472	\$ 36,535	\$ 282,575	\$ 392,517	\$ 95,295
Investments	-	-	-	-	69,319	-
Accrued interest receivable	511	325	146	1,222	8,180	329
Accounts receivable, net of allowance for uncollectibles of \$13,000	-	-	10,005	80,000	-	-
Due from other governmental units	57,607	19,818	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 261,572</u>	<u>\$ 119,615</u>	<u>\$ 46,686</u>	<u>\$ 363,797</u>	<u>\$ 470,016</u>	<u>\$ 95,624</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 5,740	\$ 4,699	\$ -	\$ -	\$ 172	\$ 149
Deferred revenue	-	-	-	80,000	-	-
TOTAL LIABILITIES	<u>5,740</u>	<u>4,699</u>	<u>-</u>	<u>80,000</u>	<u>172</u>	<u>149</u>
FUND BALANCES						
Reserved	-	-	-	-	-	656
Unreserved:						
Undesignated	255,832	114,916	46,686	283,797	469,844	94,819
TOTAL FUND BALANCES	<u>255,832</u>	<u>114,916</u>	<u>46,686</u>	<u>283,797</u>	<u>469,844</u>	<u>95,475</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 261,572</u>	<u>\$ 119,615</u>	<u>\$ 46,686</u>	<u>\$ 363,797</u>	<u>\$ 470,016</u>	<u>\$ 95,624</u>

SPECIAL REVENUE		CAPITAL PROJECTS	DEBT SERVICE	PERMANENT		
CEMETERY FUND	DRUG FORFEITURE FUND	CAPITAL IMPROVEMENT FUND	BUILDING AUTHORITY	ALVAH N. BELDING LIBRARY	RIVERRIDGE CEMETERY	TOTAL
\$ 64,399	\$ 7,655	\$ 330,864	\$ 1,687	\$ -	\$ 95,064	\$ 1,609,517
-	-	-	-	33,500	-	102,819
-	51	-	-	-	-	10,764
-	-	-	-	-	-	90,005
-	-	21,164	-	-	-	98,589
\$ 64,399	\$ 7,706	\$ 352,028	\$ 1,687	\$ 33,500	\$ 95,064	\$ 1,911,694

\$ -	\$ 560	\$ 107	\$ -	\$ -	\$ -	\$ 11,427
-	-	-	-	-	-	80,000
-	560	107	-	-	-	91,427
-	-	-	1,687	-	-	2,343
64,399	7,146	351,921	-	33,500	95,064	1,817,924
64,399	7,146	351,921	1,687	33,500	95,064	1,820,267
\$ 64,399	\$ 7,706	\$ 352,028	\$ 1,687	\$ 33,500	\$ 95,064	\$ 1,911,694

CITY OF BELDING

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE					
	MAJOR STREETS	LOCAL STREETS	DISPATCH	RICHARDSON MILLS	LIBRARY	MUSEUM
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 192,004	\$ -
Intergovernmental:						
State	339,377	136,103	-	-	11,701	-
Charges for services	-	-	120,065	-	99,683	-
Donations	-	-	-	-	18,328	31,394
Miscellaneous	5,357	1,381	6,153	14,955	43,776	2,162
TOTAL REVENUES	344,734	137,484	126,218	14,955	365,492	33,556
EXPENDITURES						
General government	-	-	153,696	-	-	-
Highways and streets	257,220	142,439	-	-	-	-
Culture and recreation	-	-	-	-	248,786	10,308
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	7,060	-
TOTAL EXPENDITURES	257,220	142,439	153,696	-	255,846	10,308
REVENUES OVER (UNDER) EXPENDITURES	87,514	(4,955)	(27,478)	14,955	109,646	23,248
OTHER FINANCING SOURCES (USES)						
Transfers in	-	35,801	44,075	-	-	-
NET CHANGE IN FUND BALANCES	87,514	30,846	16,597	14,955	109,646	23,248
FUND BALANCES, BEGINNING OF YEAR	168,318	84,070	30,089	268,842	360,198	72,227
FUND BALANCES, END OF YEAR	\$ 255,832	\$ 114,916	\$ 46,686	\$ 283,797	\$ 469,844	\$ 95,475

SPECIAL REVENUE		CAPITAL PROJECTS	DEBT SERVICE	PERMANENT		
CEMETERY FUND	DRUG FORFEITURE FUND	CAPITAL IMPROVEMENT FUND	BUILDING AUTHORITY	ALVAH N. BELDING LIBRARY	RIVERRIDGE CEMETERY	TOTAL
\$ -	\$ -	\$ 162,411	\$ -	\$ -	\$ -	\$ 354,415
-	-	22,815	-	-	-	509,996
-	-	-	-	-	-	219,748
-	-	-	-	-	-	49,722
7,528	174	1,138	90	-	5,300	88,014
7,528	174	186,364	90	-	5,300	1,221,895
-	4,172	-	-	-	-	157,868
-	-	-	-	-	-	399,659
-	-	-	-	-	-	259,094
-	-	-	30,000	-	-	30,000
-	-	-	47,875	-	-	47,875
2,847	-	43,755	-	-	-	53,662
2,847	4,172	43,755	77,875	-	-	948,158
4,681	(3,998)	142,609	(77,785)	-	5,300	273,737
-	-	35,000	77,975	-	-	192,851
4,681	(3,998)	177,609	190	-	5,300	466,588
59,718	11,144	174,312	1,497	33,500	89,764	1,353,679
\$ 64,399	\$ 7,146	\$ 351,921	\$ 1,687	\$ 33,500	\$ 95,064	\$ 1,820,267

CITY OF BELDING
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
MAJOR STREETS FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Intergovernmental revenues:				
State	\$ 305,810	\$ 421,330	\$ 339,377	\$ (81,953)
Miscellaneous	3,000	3,000	5,357	2,357
TOTAL REVENUES	<u>308,810</u>	<u>424,330</u>	<u>344,734</u>	<u>(79,596)</u>
EXPENDITURES				
Highways and streets	<u>308,810</u>	<u>448,810</u>	<u>257,220</u>	<u>191,590</u>
NET CHANGE IN FUND BALANCES	-	(24,480)	87,514	111,994
FUND BALANCES, BEGINNING OF YEAR	<u>168,318</u>	<u>168,318</u>	<u>168,318</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 168,318</u>	<u>\$ 143,838</u>	<u>\$ 255,832</u>	<u>\$ 111,994</u>

CITY OF BELDING

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
LOCAL STREETS FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenues:				
State	\$ 105,720	\$ 105,720	\$ 136,103	\$ 30,383
Miscellaneous	2,500	2,500	1,381	(1,119)
TOTAL REVENUES	108,220	108,220	137,484	29,264
EXPENDITURES				
Highways and streets	169,021	169,021	142,439	26,582
REVENUES OVER (UNDER) EXPENDITURES	(60,801)	(60,801)	(4,955)	55,846
OTHER FINANCING SOURCES				
Transfers in	35,801	35,801	35,801	-
NET CHANGE IN FUND BALANCES	(25,000)	(25,000)	30,846	55,846
FUND BALANCES, BEGINNING OF YEAR	84,070	84,070	84,070	-
FUND BALANCES, END OF YEAR	\$ 59,070	\$ 59,070	\$ 114,916	\$ 55,846

CITY OF BELDING
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DISPATCH FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenues:				
Charges for services	\$ 120,000	\$ 120,000	\$ 120,065	\$ 65
Miscellaneous	3,000	3,000	6,153	3,153
TOTAL REVENUES	123,000	123,000	126,218	3,218
EXPENDITURES				
General government	167,075	167,075	153,696	13,379
REVENUES OVER (UNDER) EXPENDITURES	(44,075)	(44,075)	(27,478)	16,597
OTHER FINANCING SOURCES				
Transfers in	44,075	44,075	44,075	-
NET CHANGE IN FUND BALANCES	-	-	16,597	16,597
FUND BALANCES, BEGINNING OF YEAR	30,089	30,089	30,089	-
FUND BALANCES, END OF YEAR	\$ 30,089	\$ 30,089	\$ 46,686	\$ 16,597

CITY OF BELDING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL RICHARDSON MILLS FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Miscellaneous	\$ 18,000	\$ 18,000	\$ 14,955	\$ (3,045)
EXPENDITURES				
General government	-	-	-	-
NET CHANGE IN FUND BALANCES	18,000	18,000	14,955	(3,045)
FUND BALANCES, BEGINNING OF YEAR	268,842	268,842	268,842	-
FUND BALANCES, END OF YEAR	\$ 286,842	\$ 286,842	\$ 283,797	\$ (3,045)

CITY OF BELDING
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
LIBRARY FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 165,000	\$ 165,000	\$ 192,004	\$ 27,004
Intergovernmental revenues:				
State	9,348	9,348	11,701	2,353
Charges for services	106,100	106,100	99,683	(6,417)
Donations	20,000	20,000	18,328	(1,672)
Miscellaneous	43,310	43,310	43,776	466
TOTAL REVENUES	<u>343,758</u>	<u>343,758</u>	<u>365,492</u>	<u>21,734</u>
EXPENDITURES				
Culture and recreation	318,793	318,793	248,786	70,007
Capital outlay	27,850	27,850	7,060	20,790
TOTAL EXPENDITURES	<u>346,643</u>	<u>346,643</u>	<u>255,846</u>	<u>90,797</u>
NET CHANGE IN FUND BALANCES	(2,885)	(2,885)	109,646	112,531
FUND BALANCES, BEGINNING OF YEAR	<u>360,198</u>	<u>360,198</u>	<u>360,198</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 357,313</u>	<u>\$ 357,313</u>	<u>\$ 469,844</u>	<u>\$ 112,531</u>

CITY OF BELDING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL MUSEUM FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Donations	\$ 17,750	\$ 17,750	\$ 31,394	\$ 13,644
Miscellaneous	3,000	23,406	2,162	(21,244)
TOTAL REVENUES	20,750	41,156	33,556	(7,600)
EXPENDITURES				
Culture and recreation	41,175	88,175	10,308	77,867
NET CHANGE IN FUND BALANCES	(20,425)	(47,019)	23,248	70,267
FUND BALANCES, BEGINNING OF YEAR	72,227	72,227	72,227	-
FUND BALANCES, END OF YEAR	\$ 51,802	\$ 25,208	\$ 95,475	\$ 70,267

CITY OF BELDING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL CEMETERY FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Miscellaneous	\$ 9,000	\$ 9,000	\$ 7,528	\$ (1,472)
EXPENDITURES				
Capital outlay	60,000	60,000	2,847	57,153
TOTAL EXPENDITURES	60,000	60,000	2,847	57,153
NET CHANGE IN FUND BALANCES	(51,000)	(51,000)	4,681	55,681
FUND BALANCES, BEGINNING OF YEAR	59,718	59,718	59,718	-
FUND BALANCES, END OF YEAR	\$ 8,718	\$ 8,718	\$ 64,399	\$ (55,681)

CITY OF BELDING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL DRUG FORFEITURE FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 174	\$ (326)
EXPENDITURES				
General government	6,000	6,000	4,172	1,828
NET CHANGE IN FUND BALANCES	(5,500)	(5,500)	(3,998)	1,502
FUND BALANCES, BEGINNING OF YEAR	11,144	11,144	11,144	-
FUND BALANCES, END OF YEAR	\$ 5,644	\$ 5,644	\$ 7,146	\$ 1,502

**CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND**

SCHEDULE 1

**SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>7/1/2003 to 9/30/2003</u>	<u>10/1/2003 to 6/30/2004</u>	<u>Total</u>
Operating Revenues			
Demand Response (Farebox)			
Regular Service	\$ 5,305	\$ 23,268	\$ 28,573
Contracted fares	8,405	30,807	39,212
Miscellaneous	-	441	441
	<u>\$ 13,710</u>	<u>\$ 54,516</u>	<u>\$ 68,226</u>

**CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND**

SCHEDULES 2 AND 4

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Salaries and wages	\$ 129,443	\$ -	\$ 11,770	\$ 141,213
Fringe benefits	23,157	-	2,036	25,193
Services:				
Advertising	101	-	1,114	1,215
Other services	35,860	2,961	14,962	53,783
Materials and supplies consumed:				
Fuel	14,224	-	-	14,224
Tires and tubes	-	-	-	-
Other materials and supplies	11,662	19,222	274	31,158
Casualty and liability costs:				
Insurance	3,496	-	-	3,496
Utilities	6,798	-	841	7,639
Miscellaneous expenses:				
Travel and meals	598	-	224	822
Other miscellaneous expense	2,487	595	5,090	8,172
Depreciation	48,887	-	-	48,887
Total	\$ 276,713	\$ 22,778	\$ 36,311	\$ 335,802

**CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND**

SCHEDULE 3A

**SCHEDULE OF NON-OPERATING REVENUES - LOCAL
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>7/1/2003 to 9/30/2003</u>	<u>10/1/2003 to 6/30/2004</u>	<u>Total</u>
Non-operating Revenues - Local			
Operating transfers from General Fund	<u>\$ 15,000</u>	<u>\$ 45,000</u>	<u>\$ 60,000</u>

**CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND**

SCHEDULE 3B

SCHEDULE OF NON-OPERATING REVENUES - STATE AND FEDERAL

FOR THE YEAR ENDED JUNE 30, 2004

	<u>7/1/2003 to 9/30/2003</u>	<u>10/1/2003 to 6/30/2004</u>	<u>Total</u>
Non-operating Revenues			
State of Michigan Grants:			
Formula Operating Assistance (Act 51)	\$ 24,966	\$ 77,184	\$ 102,150
Prior years reconciliations	(4,280)	(18,329)	(22,609)
Change in amount due back to state	-	38,623	38,623
Capital assistance grant - garage	-	41,008	41,008
Total State of Michigan Grants	<u>20,686</u>	<u>138,486</u>	<u>159,172</u>
Federal Grants:			
Section 5311	-	12,389	12,389
Section 5311 - capital (garage)	-	164,031	164,031
Section 5311 - Prior Years	-	-	-
RTAP	-	197	197
Subtotal Federal Grants	<u>-</u>	<u>176,617</u>	<u>176,617</u>
Total Non-operating Revenues - State and Federal	<u>\$ 20,686</u>	<u>\$ 315,103</u>	<u>\$ 335,789</u>

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND

SCHEDULE 5

SCHEDULE OF NET ELIGIBLE COSTS
COMPUTATIONS OF GENERAL OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2004

	Federal Section 5311		State Operating Assistance	
	7/1/2003 to 9/30/2003	10/1/2003 to 6/30/2004	7/1/2003 to 9/30/2003	10/1/2003 to 6/30/2004
Expenses				
Labor	\$ 29,787	\$ 111,426	\$ 29,787	\$ 111,426
Fringe benefits	5,242	19,951	5,242	19,951
Service	14,940	40,058	14,940	40,058
Materials and supplies	8,529	36,853	8,529	36,853
Casualty and liability costs	874	2,622	874	2,622
Utilities	699	6,940	699	6,940
Miscellaneous	1,688	7,306	1,688	7,306
Depreciation	12,222	36,665	12,222	36,665
Total Expenses	73,981	261,821	73,981	261,821
Less Ineligible Expenses				
Depreciation	12,222	36,665	12,222	36,665
Job Access Project	6,624	25,082	6,624	25,082
Audit costs	-	2,500	-	-
Net Eligible Expenses	<u>\$ 55,135</u>	<u>\$ 197,574</u>	<u>\$ 55,135</u>	<u>\$ 200,074</u>
Eligible for State Operating Assistance			55,135	200,074
Maximum Section 5311 Reimbursement (10.95%)	<u>\$ 6,037</u>	<u>\$ 21,634</u>	<u>6,037</u>	<u>21,634</u>
State Operating Assistance Base			<u>\$ 49,098</u>	<u>\$ 178,440</u>

**CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND**

**SCHEDULE OF MILEAGE DATA
(Unaudited)**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>City Regular</u>	<u>Job Access Program</u>	<u>Public Transportation Mileage</u>
<u>Demand Response</u>			
First Quarter	15,669	4,160	19,829
Second Quarter	18,996	3,986	22,982
Third Quarter	17,641	5,376	23,017
Fourth Quarter	<u>12,363</u>	<u>9,088</u>	<u>21,451</u>
 Total	 <u><u>64,669</u></u>	 <u><u>22,610</u></u>	 <u><u>87,279</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND**

**SCHEDULE OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Balance - July 1, 2003	\$ 124,435	\$ 17,090	\$ 10,026	\$ 151,551
Additions	-	-	-	-
Deduct: Depreciation - Current Year	<u>(8,133)</u>	<u>(17,090)</u>	<u>(730)</u>	<u>(25,953)</u>
Balance - June 30, 2004	<u>\$ 116,302</u>	<u>\$ -</u>	<u>\$ 9,296</u>	<u>\$ 125,598</u>

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Internal Service – This fund accounts for the costs of centralized municipal services such as legal fees, liability and property insurance, audit, data processing, and other miscellaneous services. The costs are reimbursed to this fund by the user departments.

Buildings and Grounds Maintenance – This fund accounts for the costs of operating and maintaining the land and buildings of the City, excluding the water and sewer buildings. The costs are reimbursed to this fund by the user departments.

Motor Pool – This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The costs are reimbursed to this fund by the user departments.

Health Insurance – This fund accounts for the City's premium payments for medical health insurance and the actual costs incurred under the self-insured dental plan. The costs are reimbursed to this fund by the user departments.

CITY OF BELDING

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2004

ASSETS	BUILDINGS				TOTAL
	INTERNAL SERVICE	AND GROUND MAINTENANCE	MOTOR POOL	HEALTH INSURANCE	
CURRENT ASSETS					
Cash and cash equivalents	\$ 204,361	\$ -	\$ 395,836	\$ 87,640	\$ 687,837
Accrued interest receivable	791	66	2,752	146	3,755
Accounts receivable	-	-	-	1,813	1,813
Prepaid expenses	-	-	-	36,127	36,127
TOTAL CURRENT ASSETS	205,152	66	398,588	125,726	729,532
CAPITAL ASSETS					
Buildings and improvements		85,450	53,778	-	139,228
Vehicles	-	-	1,687,064	-	1,687,064
Machinery and equipment	65,189	-	-	-	65,189
	65,189	85,450	1,740,842	-	1,891,481
Less: Accumulated depreciation	(54,352)	(27,267)	(1,352,050)	-	(1,433,669)
NET CAPITAL ASSETS	10,837	58,183	388,792	-	457,812
TOTAL ASSETS	215,989	58,249	787,380	125,726	1,187,344
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	7,979	2,714	3,517	-	14,210
Accrued compensated absences	-	-	940	-	940
Due to other funds	-	37,604	-	-	37,604
TOTAL LIABILITIES	7,979	40,318	4,457	-	52,754
NET ASSETS					
Invested in capital assets, net of related debt	10,837	58,183	388,792	-	457,812
Unrestricted	197,173		394,131	125,726	676,778
TOTAL NET ASSETS	\$ 208,010	\$ 17,931	\$ 782,923	\$ 125,726	\$ 1,134,590

CITY OF BELDING
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	BUILDINGS				
	INTERNAL SERVICE	AND GROUND MAINTENANCE	MOTOR POOL	HEALTH INSURANCE	TOTAL
OPERATING REVENUES					
Charges for services	\$ 252,475	\$ 70,000	\$ 280,677	\$ 512,259	\$1,115,411
OPERATING EXPENSES					
Personnel services	-	-	51,813	-	51,813
Professional and contractual services	174,250	-	10,729	3,868	188,847
Benefits	-	-	-	463,245	463,245
Materials and supplies	20,232	1,736	52,771	-	74,739
Utilities	9,271	39,999	20,310	-	69,580
Repairs and maintenance	4,409	44,992	66,682	-	116,083
Lease and rental	-	3,794	32,194	-	35,988
Depreciation	5,392	4,856	92,600	-	102,848
Miscellaneous	6,036	-	-	-	6,036
TOTAL OPERATING EXPENSES	219,590	95,377	327,099	467,113	1,109,179
OPERATING INCOME (LOSS)	32,885	(25,377)	(46,422)	45,146	6,232
NON OPERATING REVENUES					
Interest income	1,979	(20)	8,167	697	10,823
CHANGE IN NET ASSETS	34,864	(25,397)	(38,255)	45,843	17,055
NET ASSETS, BEGINNING OF YEAR	173,146	43,328	821,178	79,883	1,117,535
NET ASSETS, END OF YEAR	\$ 208,010	\$ 17,931	\$ 782,923	\$ 125,726	\$1,134,590

CITY OF BELDING

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	BUILDINGS				
	INTERNAL SERVICE	AND GROUND MAINTENANCE	MOTOR POOL	HEALTH INSURANCE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ 253,274	\$ 107,671	\$ 283,458	\$ 513,294	\$1,157,697
Cash payments to suppliers for goods and services	(217,473)	(93,631)	(181,915)	(1,625)	(494,644)
Cash payments to employees for services	-	-	(52,123)	(463,245)	(515,368)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	35,801	14,040	49,420	48,424	147,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions of capital assets	(5,800)	(28,394)	(246,487)	-	(280,681)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	1,979	(20)	8,167	697	10,823
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,980	(14,374)	(188,900)	49,121	(122,173)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	172,381	14,374	584,736	38,519	810,010
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 204,361	\$ -	\$ 395,836	\$ 87,640	\$ 687,837
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 32,885	\$ (25,377)	\$ (46,422)	\$ 45,146	\$ 6,232
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	5,392	4,856	92,600	-	102,848
Change in operating assets and liabilities which provided (used) cash:					
Accounts receivable	-	-	-	888	888
Accrued interest receivable	799	67	2,781	147	3,794
Prepaid expenses	-	-	-	2,243	2,243
Accounts payable	(3,275)	(3,110)	771	-	(5,614)
Accrued liabilities	-	-	(874)	-	(874)
Compensated absences payable	-	-	564	-	564
Due to other funds	-	37,604	-	-	37,604
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 35,801	\$ 14,040	\$ 49,420	\$ 48,424	\$ 147,685

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FIDUCIARY FUNDS

FIDUCIARY FUNDS

Trust funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. These include the Pension Trust Fund and Agency Funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Pension Trust Fund

Employee Retirement System – This fund is used to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 401(a).

Agency Fund

Current Tax Collection – This fund accounts for the collection and disbursements of property taxes billed and collected by the City on behalf of the City, County and School District.

CITY OF BELDING

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2004

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>CURRENT TAX COLLECTION FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 37,184	\$ 4,226,072	\$ 4,229,767	\$ 33,489
Accounts receivable	285	1,222	1,227	280
<u>TOTAL ASSETS</u>	<u>\$ 37,469</u>	<u>\$ 4,227,294</u>	<u>\$ 4,230,994</u>	<u>\$ 33,769</u>
LIABILITIES				
Taxes payable	\$ 37,469	\$ 2,595,266	\$ 2,591,566	\$ 33,769
<u>TOTAL LIABILITIES</u>	<u>\$ 37,469</u>	<u>\$ 2,595,266</u>	<u>\$ 2,591,566</u>	<u>\$ 33,769</u>

COMPONENT UNITS

COMPONENT UNITS

Local Development Finance Authority (LDFA) – The LDFA Fund accumulates tax revenue “captured” in the LDFA district for the payment of principal and interest on the LDFA bonds.

Tax Increment Finance Authority (TIFA) – The TIFA Fund accumulates tax revenue “captured” in the TIFA district for the payment of principal and interest on the TIFA bonds and principal and interest on loans from other City funds.

CITY OF BELDING

BALANCE SHEET/STATEMENT OF NET ASSETS LOCAL DEVELOPMENT FINANCE AUTHORITY

JUNE 30, 2004

<u>ASSETS</u>	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and cash equivalents	\$ 22,591	\$ -	\$ 22,591
Accrued interest receivable	100	-	100
	<hr/>		<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 22,691</u>	-	22,691
<u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ -	113	113
Bond payable	-	25,000	25,000
	<hr/>		<hr/>
	-	25,113	25,113
FUND BALANCE			
Undesignated	22,691	(22,691)	-
	<hr/>		<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 22,691</u>	2,422	25,113
NET ASSETS			
Unrestricted (deficit)		<u>\$ (2,422)</u>	<u>\$ (2,422)</u>

CITY OF BELDING

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/NET ASSETS LOCAL DEVELOPMENT FINANCE AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 73	\$ -	\$ 73
Interest	108	-	108
Miscellaneous	27,575	-	27,575
TOTAL REVENUES	27,756	-	27,756
EXPENDITURES			
Debt service:			
Principal retirement	25,000	(25,000)	-
Interest and fiscal charges	1,975	(981)	994
TOTAL EXPENDITURES	26,975	(25,981)	994
REVENUES OVER (UNDER) EXPENDITURES	781	(781)	-
CHANGE IN NET ASSETS	-	26,762	26,762
FUND BALANCE/NET ASSETS (DEFICIT) , BEGINNING OF YEAR	21,910	-	(29,184)
FUND BALANCE/NET ASSETS (DEFICIT), END OF YEAR	\$ 22,691	\$ -	\$ (2,422)

CITY OF BELDING

COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS
TAX INCREMENT FINANCE AUTHORITY

JUNE 30, 2004

	GOVERNMENTAL FUND TYPES				STATEMENT OF NET ASSETS
	GENERAL FUND	DEBT SERVICE FUND	TOTALS	ADJUSTMENTS	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 86,832	\$ 9,105	\$ 95,937	\$ -	\$ 95,937
<u>TOTAL ASSETS</u>	<u>\$ 86,832</u>	<u>\$ 9,105</u>	<u>\$ 95,937</u>	<u>-</u>	<u>95,937</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accrued liabilities	\$ -	\$ -	\$ -	\$ 12,315	\$ 12,315
Bonds payable	-	-	-	1,620,000	1,620,000
<u>TOTAL LIABILITIES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,632,315</u>	<u>1,632,315</u>
FUND EQUITY (DEFICIT)					
Unreserved - undesignated	86,832	9,105	95,937	(95,937)	-
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 86,832</u>	<u>\$ 9,105</u>	<u>\$ 95,937</u>	<u>1,536,378</u>	<u>1,632,315</u>
NET ASSETS (DEFICIT)					
Unrestricted				(1,536,378)	(1,536,378)
<u>TOTAL NET ASSETS (DEFICIT)</u>				<u>\$ -</u>	<u>\$ (1,536,378)</u>

CITY OF BELDING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/NET ASSETS
TAX INCREMENT FINANCE AUTHORITY**

FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	DEBT SERVICE FUND	TOTALS	ADJUSTMENTS	STATEMENT OF ACTIVITIES
REVENUES					
Taxes	\$ 225,374	\$ -	\$ 225,374	\$ -	\$ 225,374
Interest	498	-	498	-	498
Miscellaneous	-	556	556	-	556
TOTAL REVENUES	225,872	556	226,428	-	226,428
EXPENDITURES					
Miscellaneous	10,000	-	10,000	-	10,000
Debt service:					
Principle retirement	-	167,308	167,308	(90,000)	77,308
Interest and fiscal charges	-	-	-	(570)	(570)
TOTAL EXPENDITURES	10,000	167,308	177,308	(90,570)	86,738
REVENUES OVER (UNDER) EXPENDITURES	215,872	(166,752)	49,120	(90,570)	139,690
OTHER FINANCING SOURCES (USES)					
Transfer in	-	167,908	167,908	-	167,908
Transfer out	(167,908)	-	(167,908)	-	(167,908)
TOTAL OTHER FINANCING SOURCES (USES)	(167,908)	167,908	-	-	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	47,964	1,156	49,120	(49,120)	-
CHANGE IN NET ASSETS				139,690	139,690
FUND BALANCES/NET ASSETS (DEFICIT), BEGINNING OF YEAR	38,868	7,949	46,817	-	(1,676,068)
FUND BALANCES/NET ASSETS (DEFICIT), END OF YEAR	\$ 86,832	\$ 9,105	\$ 95,937	\$ -	\$ (1,536,378)

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

The capital assets used in the operation of Governmental Funds account for capital assets supported by the General, Special Revenue and Capital Projects Funds. Capital assets consist of land, land improvements, buildings and improvements, machinery & equipment, vehicles, office furniture & equipment, infrastructure, and construction in progress.

City of Belding, Michigan
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source¹
June 30, 2004 and 2003

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Governmental Funds Capital Assets:		
Land	\$ 510,450	\$ 510,450
Land Improvements	1,733,224	1,733,224
Buildings and Improvements	1,957,948	1,957,948
Motor Vehicles	868,323	468,323
Office Furniture & Equipment	375,911	280,788
Infrastructure	522,389	504,692
Construction in Progress	20,524	-
Total Governmental Funds Capital Assets	<u>\$ 5,988,769</u>	<u>\$ 5,455,425</u>
 Investment in Governmental Funds Capital Assets By Source:		
General Fund	\$ 2,940,915	\$ 2,451,515
Special Revenue Funds	868,469	847,945
Capital Projects Funds	2,079,385	2,055,965
Donations	100,000	100,000
Total Governmental Funds Capital Assets	<u>\$ 5,988,769</u>	<u>\$ 5,455,425</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Belding, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity¹
For the Fiscal Year Ended June 30, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Motor Vehicles</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Totals</u>
General Government								
City Hall Departments	\$ 17,500	\$ 473,868	\$ 696,540	\$ -	\$ 18,100	\$ -	\$ -	\$ 1,206,028
Public Safety								
Police	\$ -	\$ -	\$ 5,000	\$ -	\$ 17,340	\$ -	\$ -	\$ 22,340
Fire	-	-	-	868,323	107,650	-	-	975,973
Ambulance	-	-	-	-	-	-	-	-
Dispatch	-	-	13,414	-	82,707	-	-	96,121
Total Public Safety	\$ -	\$ -	\$ 18,414	\$ 868,323	\$ 207,697	\$ -	\$ -	\$ 1,094,434
Public Works								
Cemetery	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Street System	-	-	-	-	-	522,389	20,524	542,913
Other	492,950	-	160,148	-	-	-	-	653,098
Total Public Works	\$ 492,950	\$ -	\$ 170,148	\$ -	\$ -	\$ 522,389	\$ 20,524	\$ 1,206,011
Culture & Recreation								
Library	\$ -	\$ 204,495	\$ 377,753	\$ -	\$ 9,919	\$ -	\$ -	\$ 592,167
Community Center	-	-	479,617	-	-	-	-	479,617
Museum	-	-	-	-	-	-	-	-
Parks	-	1,054,841	215,475	-	140,195	-	-	1,410,511
Total Culture & Recreation	\$ -	\$ 1,259,336	\$ 1,072,845	\$ -	\$ 150,114	\$ -	\$ -	\$ 2,482,295
Total Governmental Funds Capital Assets	\$ 510,450	\$ 1,733,224	\$ 1,957,948	\$ 868,323	\$ 375,911	\$ 522,389	\$ 20,524	\$ 5,988,769

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Belding, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity¹
For the Fiscal Year Ended June 30, 2004

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2004</u>
General Government				
City Hall Departments	\$ 1,206,028	\$ -	\$ -	\$ 1,206,028
Public Safety				
Police	\$ 22,340	\$ -	\$ -	\$ 22,340
Fire	486,573	489,400	-	975,973
Ambulance	-	-	-	-
Dispatch	96,121	-	-	96,121
Total Public Safety	\$ 605,034	\$ 489,400	\$ -	\$ 1,094,434
Public Works				
Cemetery	\$ 10,000	\$ -	\$ -	\$ 10,000
Street System	504,892	38,221	-	542,913
Other	653,098	-	-	653,098
Total Public Works	\$ 1,167,790	\$ 38,221	\$ -	\$ 1,206,011
Culture & Recreation				
Library	\$ 592,167	\$ -	\$ -	\$ 592,167
Community Center	479,617	-	-	479,617
Parks	1,404,788	5,723	-	1,410,511
Total Culture & Recreation	\$ 2,476,572	\$ 5,723	\$ -	\$ 2,482,295
Total Governmental Funds Capital Assets	\$ 5,455,425	\$ 533,344	\$ -	\$ 5,988,769

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

SCHEDULE OF INDEBTEDNESS

CITY OF BELDING
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2004

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL OUTSTANDING
GOVERNMENTAL ACTIVITIES							
1996 Michigan Municipal	9/29/1995	\$ 180,000	5.60%	11/01/04	\$ 22,000	\$ 1,260	\$ 23,260
Bond Authority -				05/01/05	-	644	644
Firetruck				11/01/05	23,000	644	23,644
					45,000	2,548	47,548
2000 Building Authority Bond	11/16/2000	950,000	5.25-5.375%	11/01/04	35,000	23,544	58,544
				05/01/05	-	22,625	22,625
				11/01/05	35,000	22,625	57,625
				05/01/06	-	21,706	21,706
				11/01/06	35,000	21,706	56,706
				05/01/07	-	20,788	20,788
				11/01/07	40,000	20,788	60,788
				05/01/08	-	19,738	19,738
				11/01/08	40,000	19,738	59,738
				05/01/09	-	18,688	18,688
				11/01/09	40,000	18,688	58,688
				05/01/10	-	17,638	17,638
				11/01/10	45,000	17,640	62,640
				05/01/11	-	16,456	16,456
				11/01/11	45,000	16,456	61,456
				05/01/12	-	15,275	15,275
				11/01/12	50,000	15,275	65,275
				05/01/13	-	13,963	13,963
				11/01/13	55,000	13,963	68,963
				05/01/14	-	12,519	12,519
				11/01/14	55,000	12,519	67,519
				05/01/15	-	11,075	11,075
				11/01/15	60,000	11,075	71,075
				05/01/16	-	9,500	9,500
				11/01/16	65,000	9,500	74,500
				05/01/17	-	7,794	7,794
				11/01/17	65,000	7,794	72,794
				05/01/18	-	6,047	6,047
				11/01/18	70,000	6,047	76,047
				05/01/19	-	4,166	4,166
				11/01/19	75,000	4,166	79,166
				05/01/20	-	2,150	2,150
				11/01/20	80,000	2,150	82,150
					890,000	463,802	1,353,802
Firetruck Loan	8/29/2003	400,000	4.39%	05/01/05	51,531	15,145	66,676
				05/01/06	53,792	12,884	66,676
				05/01/07	56,152	10,524	66,676
				05/01/08	58,616	8,060	66,676
				05/01/09	61,188	5,488	66,676
				05/01/10	63,874	2,803	66,677
					345,153	54,904	400,057
Total Governmental Bonds & Notes					1,280,153	521,254	1,801,407
Vested Benefits					112,793	-	112,793
Total Governmental Debt					1,392,946	521,254	1,914,200

(Continued)

CITY OF BELDING
SCHEDULE OF INDEBTEDNESS (CONTINUED)
JUNE 30, 2004

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL OUTSTANDING
<u>BUSINESS-TYPE ACTIVITIES</u>							
City of Belding Sanitary Sewer System Revenue Bonds, Series 1992	8/28/1990	\$ 2,245,000	2.00%	10/01/04	\$ -	\$ 6,857	\$ 6,857
				04/01/05	120,000	6,857	126,857
				10/01/05	-	5,657	5,657
				04/01/06	120,000	5,657	125,657
				10/01/06	-	4,457	4,457
				04/01/07	125,000	4,457	129,457
				10/01/07	-	3,207	3,207
				04/01/08	125,000	3,207	128,207
				10/01/08	-	1,957	1,957
				04/01/09	130,000	1,957	131,957
				10/01/09	-	657	657
				04/01/10	65,743	657	66,400
					685,743	45,584	731,327
City of Belding Act 94- Water Supply System Revenue Bonds	6/26/2003	685,000	2.50%	10/01/04	25,000	16,813	41,813
				10/01/05	25,000	16,188	41,188
				10/01/06	30,000	15,501	45,501
				10/01/07	30,000	14,751	44,751
				10/01/08	30,000	14,001	44,001
				10/01/09	30,000	13,251	43,251
				10/01/10	30,000	12,501	42,501
				10/01/11	30,000	11,751	41,751
				10/01/12	35,000	10,938	45,938
				10/01/13	35,000	10,063	45,063
				10/01/14	35,000	9,188	44,188
				10/01/15	35,000	8,313	43,313
				10/01/16	35,000	7,438	42,438
				10/01/17	35,000	6,563	41,563
				10/01/18	40,000	5,626	45,626
				10/01/19	40,000	4,626	44,626
				10/01/20	40,000	3,626	43,626
				10/01/21	40,000	2,626	42,626
				10/01/22	40,000	1,626	41,626
				10/01/23	45,000	563	45,563
					685,000	185,953	870,953
Total Business-Type Activities					1,370,743	231,537	1,602,280
<u>COMPONENT UNITS</u>							
Local Development Finance Authority 1994 City of Belding Transportation Fund Bonds	3/30/1994	230,000	3.5-5.3%	08/01/04	25,000	663	25,663
Tax Increment Refunding Bond	11/1/1998	1,850,000	3.75-4.75%	05/01/05	100,000	73,483	173,483
				05/01/06	105,000	69,183	174,183
				05/01/07	110,000	64,615	174,615
				05/01/08	120,000	59,775	179,775
				05/01/09	135,000	54,435	189,435
				05/01/10	145,000	48,428	193,428
				05/01/11	155,000	41,975	196,975
				05/01/12	170,000	35,000	205,000
				05/01/13	185,000	27,265	212,265
				05/01/14	200,000	18,663	218,663
				05/01/15	195,000	15,263	210,263
					1,620,000	508,085	2,128,085
TOTAL COMPONENT UNIT DEBT					1,645,000	508,748	2,153,748
TOTAL LONG-TERM DEBT-PRIMARY GOVERNMENT					2,763,689	752,791	3,516,480
TOTAL LONG-TERM DEBT - REPORTING ENTITY					\$ 4,408,689	\$ 1,261,539	\$ 5,670,228
TOTAL LONG-TERM DEBT - REPORTING ENTITY WITHOUT VESTED BENEFITS (vested benefits included above under governmental activities)					\$ 4,295,896	\$ 1,261,539	\$ 5,557,435

(Concluded)

STATISTICAL SECTION

The Statistical Schedules differ from other financial presentations because they generally disclose more than one fiscal year and may present non-accounting data such as social and economic data and financial trends of the City.

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City of Belding, Michigan
Government-Wide Expenses by Function
Last Ten Fiscal Years

Table 1

Fiscal Year Ending June 30,	General Government	Public Safety	Streets	Culture and Recreation	Planning	Interest on Long-Term Debt	Sewer	Water	Dial-a-Ride	Total
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1996	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2003	\$ 559,643	\$ 1,443,148	\$ 550,383	\$ 468,436	\$ 62,620	\$ 53,257	\$ 596,897	\$ 543,548	\$ 322,327	\$ 4,600,259
2004	803,689	1,732,955	406,188	549,764	70,082	64,931	643,387	616,180	335,802	5,222,969

**City of Belding, Michigan
Government-Wide Revenues
Last Ten Fiscal Years**

Table 2

Fiscal Year Ending June 30,	PROGRAM REVENUES			GENERAL REVENUES				
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	State Shared Revenues	Unrestricted Investment Earnings	Miscellaneous	Total
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1996	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
2003	\$ 1,798,024	\$ 745,709	\$ 663,292	\$ 1,539,202	\$ 959,698	\$ 155,122	\$ 280,443	\$ 6,141,490
2004	1,907,429	926,212	324,443	1,601,212	751,617	74,760	199,052	5,784,725

City of Belding, Michigan
General Governmental Expenditures by Function¹
Last Ten Fiscal Years

Table 3

Fiscal Year Ending June 30,	General Government	Public Safety	Streets	Culture and Recreation	Debt Service	Special Assessments	Other Functions	Capital Outlay	Total
1995	\$ 761,352	\$ 855,760	\$ 373,869	\$ 227,286	\$ 25,484	\$ -	\$ 86,523	\$ 105,501	\$2,436,775
1996	790,583	1,284,856	459,614	240,864	24,728	62,775	89,820	-	2,953,240
1997	836,467	1,388,439	330,467	288,136	24,676	62,774	58,076	56,519	2,745,554
1998	835,141	1,025,047	707,187	298,962	58,912	62,774	62,487	118,904	3,169,414
1999	1,049,699	1,131,614	372,009	362,323	59,077	62,775	76,079	160,487	3,274,063
2000	1,062,567	1,164,797	498,699	365,019	58,197	62,775	49,278	57,338	3,318,670
2001	1,068,999	1,202,854	480,899	482,321	57,151	62,775	68,225	249,200	3,672,424
2002	1,175,845	1,224,612	425,752	429,719	79,091	62,775	44,796	1,593,698	5,036,288
2003	710,892	1,808,731	652,894	443,667	103,706	-	93,964	735,206	4,349,060
2004	786,485	2,201,003	399,659	377,674	168,659	-	70,227	53,662	4,057,369

Note:

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.

City of Belding, Michigan
General Governmental Revenues by Source¹
Last Ten Fiscal Years

Table 4

Fiscal Year Ending June 30,	Property Taxes	Licenses and Permits	Federal Sources	State Sources	Charges for Services	Fines and Forfeitures	Special Assessments	Miscellaneous	Total
1996	\$ 1,073,175	\$ 29,610	\$ 76,180	\$ 1,025,299	\$ 381,317	\$ 8,292	\$ -	\$ 235,111	\$ 2,828,984
1997	1,109,070	4,382	61,003	975,867	423,989	9,898	57,203	227,492	2,878,904
1998	1,088,103	8,695	265,675	1,104,971	567,117	8,447	33,869	203,286	3,280,163
1999	1,248,269	11,696	52,427	1,160,061	572,398	8,119	29,533	251,684	3,334,187
2000	1,299,844	11,011	69,192	1,226,209	606,139	12,373	31,086	481,263	3,737,117
2001	1,346,398	11,019	61,740	1,304,084	713,073	15,259	27,646	424,085	3,903,304
2002	1,429,692	6,207	58,157	1,487,675	728,734	15,821	23,759	499,827	4,249,872
2003	1,539,887	13,850	-	1,938,873	798,867	15,573	22,590	377,718	4,707,358
2004	1,601,212	14,704	95,793	1,263,495	882,625	22,095	3,950	235,043	4,118,917

Note:

(1) This schedule includes revenues of the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.

**City of Belding, Michigan
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 5

Fiscal Year Ending June 30,	Total Tax Levy (1)	Collections to March 1, Year Following Levy	Percent of Current Taxes Collected	Delinquent Tax Collections to June 30 (2)	Total Tax Collections to June 30	Percent of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1995	\$ 1,007,298	\$ 934,678	92.8%	\$ 72,047	\$ 1,006,725	99.94%	\$ 573	0.06%
1996	1,079,811	971,987	1	101,817	1,073,804	99.44%	6,007	0.56%
1997	1,149,020	1,053,232	1	90,570	1,143,802	99.55%	5,218	0.45%
1998	1,135,012	1,044,671	1	89,848	1,134,519	99.90%	1,093	0.10%
1999	1,128,510	1,037,624	1	89,285	1,126,909	99.86%	1,601	0.14%
2000	1,177,405	1,080,330	1	96,619	1,176,949	99.96%	456	0.04%
2001	1,205,792	1,125,252	1	79,818	1,205,070	99.94%	722	0.06%
2002	1,274,052	1,186,898	1	84,141	1,271,039	99.76%	3,013	0.24%
2003	1,383,420	1,304,229	1	77,515	1,381,744	99.88%	1,676	0.12%
2004	1,423,897	1,345,280	1	78,416	1,423,696	99.99%	202	0.01%

Note:

- (1) Real and personal property taxes combined.
- (2) Property taxes are levied July 1 and become delinquent March 1 of the following year.
Delinquent real property taxes are purchased by Ionia County.
Delinquent personal property taxes are collected by the City of Belding.

City of Belding, Michigan
Taxable and Estimated Actual Value of Property
Last Ten Fiscal Years

Table 6

Fiscal Year Ending June 30,	Real Property		Personal Property		Totals		Ratio of Total Taxable Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	To Total Estimated Actual Value
1995	\$ 49,987,400	\$ 99,974,800	\$ 14,509,100	\$ 29,018,200	\$ 64,496,500	\$ 128,993,000	50.00%
1996	50,258,796	111,621,200	16,003,400	32,006,800	66,262,196	143,628,000	46.13%
1997	52,645,016	122,472,800	13,108,900	26,217,800	65,753,916	148,690,600	44.22%
1998	52,978,374	130,730,800	12,533,500	25,067,000	65,511,874	155,797,800	42.05%
1999	55,253,841	147,217,800	13,153,900	26,307,800	68,417,741	173,525,600	39.43%
2000	58,300,206	160,494,200	12,097,400	24,194,800	70,397,606	184,689,000	38.12%
2001	61,673,208	169,000,600	12,494,900	24,989,800	74,168,108	193,990,400	38.23%
2002	66,823,048	184,741,800	14,009,200	28,018,400	80,832,248	212,760,200	37.99%
2003	70,548,996	193,961,200	11,352,100	22,704,200	81,901,096	216,665,400	37.80%
2004	74,733,933	199,523,800	11,423,100	22,846,200	86,157,033	222,370,000	38.74%

**City of Belding, Michigan
Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years**

Table 7

Fiscal Year Ending June 30,	City of Belding			Ionia County				Belding Area Schools (2)				Ionia ISD	State	
	Operating Millage	Capital Improvement Millage	Total City Millage	Operating Millage	Library Millage	Senior Citizen	Total County Millage	Non- Homestead Millage	Operating Millage	Debt Millage	Total BAS Millage	Operating Millage	Education Tax Millage	Total
1995	14.9500	2.0000	16.9500	6.3314	-	-	6.3314	18.0000	-	3.5000	21.5000	2.9869	6.0000	53.7883
1996	14.9500	2.0000	16.9500	6.3314	-	-	6.3314	18.0000	-	3.5000	21.5000	2.9869	6.0000	53.7883
1997	14.9500	2.0000	16.9500	6.2814	-	-	6.2814	18.0000	-	7.0000	25.0000	2.9869	6.0000	57.2183
1998	14.9500	2.0000	16.9500	5.5712	-	-	5.5712	18.0000	-	7.0000	25.0000	2.9869	6.0000	56.5081
1999	14.9500	2.0000	16.9500	4.9578	1.0000	-	5.9578	18.0000	-	7.0000	25.0000	2.9788	6.0000	56.8864
2000	14.9500	2.0000	16.9500	4.9244	0.9906	-	5.9150	18.0000	-	7.0000	25.0000	2.9581	6.0000	56.8231
2001	14.9500	2.0000	16.9500	4.8603	0.9777	-	5.8380	17.9856	-	7.0000	24.9856	2.9213	6.0000	56.6949
2002	14.9500	2.0000	16.9500	4.8053	0.9686	-	5.7719	17.9856	-	7.0000	24.9856	2.8885	6.0000	56.5960
2003	14.9500	2.0000	16.9500	4.7820	0.9579	0.3750	6.0949	17.9856	-	7.0000	24.9856	2.8613	6.0000	56.8918
2004	14.9500	2.0000	16.9500	4.7353	0.9525	0.3729	6.0607	17.9856	-	7.0000	24.9856	4.5747	5.0000	57.5710

Note:

(1) Millage Rates (\$1 per \$1,000 of Taxable Value)

(2) In 1994, property tax reform was implemented in the State resulting in a 18 mill levy on non-homestead properties and 6.0 mills on all properties.

City of Belding, Michigan
Schedule of Ten Largest Taxpayers
June 30, 2004

Table 8

Taxpayer	Type of Business	Advalorem Real Taxable Value	Advalorem Personal Taxable Value	IFT Taxable Value	Total Taxable Value	Percentage of Total Taxable Valuation (1)
Extruded Metals	Brass Extrusion	\$ 1,447,227	\$ 4,010,000	\$ 2,628,482	\$ 8,085,709	8.90%
Mason County Fruit Packers	Apple Juice	1,207,327	393,800	-	1,601,127	1.76%
Greenville Tool & Die	Tool & Die	558,591	828,500	-	1,387,091	1.53%
Robroy Industries	Enclosures	423,174	123,600	763,700	1,310,474	1.44%
Granco-Clark	Metal Fabrication	506,045	273,200	527,200	1,306,445	1.44%
Metron of Belding	Nursing Home	1,112,673	-	-	1,112,673	1.22%
Consumers Energy	Utility	13,978	980,400	-	994,378	1.09%
Candlestone Inn	Golf Course & Hotel	868,431	52,400	-	920,831	1.01%
Spectrum Industries	Automotive Finishings	545,026	335,400	-	880,426	0.97%
Nakano Foods	Vinegar	64,900	435,700	354,248	854,848	0.94%
Total		\$ 6,747,372	\$ 7,433,000	\$ 4,273,630	\$ 18,454,002	20.32%

Note:

(1) Total Ad Valorem Taxable Value:	\$ 86,157,033.00
Total Industrial Facilities Tax (IFT) Taxable Value:	<u>4,679,675.00</u>
Total Taxable Value	<u>\$ 90,836,708.00</u>

City of Belding, Michigan
Special Assessment Billings and Collections (1)
Last Ten Fiscal Years

Table 9

Fiscal Year Ending June 30,	Special Assessments Due	Special Assessments Collected	Outstanding Current Special Assessments	Delinquent Special Assessments Collected (2)	Total Outstanding Special Assessments	Ratio of Collections To Amount Due
1994	\$ 4,658	\$ 3,317	\$ 1,341	\$ 1,341	\$ -	100%
1995	1,798	628	1,170	1,170	-	100%
1996	3,280	2,266	1,014	1,014	-	100%
1997	56,576	41,542	15,034	15,034	-	100%
1998	28,943	13,739	15,204	15,204	-	100%
1999	24,288	11,355	12,933	12,933	-	100%
2000	27,592	13,431	14,161	14,161	-	100%
2001	28,420	23,157	5,263	5,263	-	100%
2002	26,082	23,598	2,484	2,484	-	100%
2003	25,016	22,775	2,242	2,242	-	100%
2004	7,986	6,951	1,035	1,035	-	100%

Note:

- (1) Special Assessments include water and sewer delinquent billings, grass mowing charges, and other miscellaneous charges authorized by City ordinances. In 1996, the Wright Ellis Drain special assessment commenced and in 1999 the sidewalk special assessment began.
- (2) Special Assessments are levied July 1 and become delinquent March 1.
Delinquent Special Assessments are purchased by Ionia County.

City of Belding, Michigan
Computation of Legal Debt Margin
June 30, 2004

Table 10

Total State Equalized Value		<u>\$ 111,185,000</u>
Legal Debt Margin:		
Debt Limitation - 10 percent of SEV		\$ 11,118,500
Debt Applicable to Limitation:		
Total Bonded Debt	\$ 4,295,895	
Less: Revenue Bonds	<u>1,370,743</u>	
Total Debt Applicable to Limitation		<u>2,925,152</u>
Legal Debt Margin		<u>\$ 8,193,348</u>
Debt Applicable to Limit as a Percent of SEV		2.6%

City of Belding, Michigan
Ratio of Net General Obligation Bonded Debt
to State Equalized Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

Table 11

Fiscal Year Ending June 30,	Population (1)	State Equalized Value	Gross Bonded Debt (2)	Self-Supporting Revenue Bonds	Net Bonded Debt	Ratio of Net Bonded Debt to State Equalized Value	Net Bonded Debt Per Capita
1995	5,969	\$ 84,498,500	\$ 3,982,395	\$ 1,660,743	\$ 2,321,652	3.50%	388.95
1996	5,969	71,814,000	3,978,986	1,605,743	2,371,243	3.30%	397.26
1997	5,989	74,345,300	3,778,656	1,490,743	2,287,913	3.08%	383.30
1998	5,969	77,898,900	3,566,344	1,370,743	2,195,601	2.82%	367.83
1999	5,969	86,762,800	3,595,554	1,250,743	2,344,811	2.70%	392.83
2000	5,989	92,344,500	3,347,066	1,140,743	2,206,323	2.39%	369.63
2001	5,877	96,995,200	4,065,027	1,030,743	3,034,284	3.13%	518.30
2002	5,877	108,380,100	3,821,743	915,743	2,906,000	2.73%	494.47
2003	5,877	108,296,200	3,841,131	975,467	2,865,664	2.65%	487.61
2004	5,877	111,185,000	4,295,895	1,370,743	2,925,152	2.63%	497.73

Note:

(1) 1990 census figures (1995-2000), 2000 census figures (2001-Present).

(2) Includes long-term debt of Tax Increment Finance Authority and Local Development Finance Authority.

City of Belding
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years

Table 12

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service Payments	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
1995	\$ 15,866	\$ 9,618	\$ 25,484	\$ 2,436,775	1.0%
1996	15,866	8,862	24,728	2,953,240	0.8%
1997	17,430	7,246	24,676	2,745,554	0.9%
1998	42,312	16,600	58,912	3,169,414	1.9%
1999	45,790	13,287	59,077	3,274,063	1.8%
2000	48,488	9,709	58,197	3,318,670	1.8%
2001	27,039	30,112	57,151	3,672,424	1.6%
2002	23,284	55,807	79,091	5,036,288	1.6%
2003	50,000	53,706	103,706	4,349,060	2.4%
2004	105,847	62,812	168,658	4,057,369	4.2%

Note:

(1) Includes General, Special Revenue, Debt Service, Capital Projects and Permanent Funds of the Primary Government.

City of Belding, Michigan
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
June 30, 2004

Table 13

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable To City	Amount Applicable To City
Direct Debt:			
City of Belding (1)	\$ 2,925,152	100.0%	\$ 2,925,152
Overlapping Debt:			
Belding Area Schools	22,487,361	33.26%	7,479,296
Ionia County	630,753	7.26%	45,793
Ionia County Intermediate School District	490,000	6.38%	31,262
Total Overlapping Debt	23,608,114		7,556,351
Total Direct and Overlapping Debt	\$ 26,533,266		\$ 10,481,503

Note:

(1) Excludes self-supporting revenue bonds reported in the Enterprise Funds.

**City of Belding
Revenue Bond Coverage
Wastewater Treatment System
Last Ten Fiscal Years**

Table 14

Fiscal Year Ending June 30,	Revenues and Other Sources (1)	Expenses and Other Uses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 534,262	\$ 263,483	\$ 270,779	\$ 100,000	\$ 35,214	\$ 135,214	2.00
1996	557,466	283,063	274,403	100,000	33,214	133,214	2.06
1997	548,434	300,953	247,481	100,000	31,214	131,214	1.89
1998	573,706	330,625	243,081	105,000	29,214	134,214	1.81
1999	566,560	428,210	138,350	105,000	27,633	132,633	1.04
2000	609,592	607,243	2,349	110,000	25,014	135,014	0.02
2001	591,227	496,898	94,329	110,000	22,815	132,815	0.71
2002	597,301	513,155	84,146	115,000	20,615	135,615	0.62
2003	546,950	455,001	91,958	115,000	18,315	133,315	0.69
2004	577,726	492,671	85,055	115,000	16,015	131,015	0.65

(1) Includes Interest Income

(2) Excludes Depreciation and Interest Expense.

**City of Belding
Revenue Bond Coverage
Water System
Last Ten Fiscal Years**

Table 15

Fiscal Year Ending June 30,	Revenues and Other Sources (1)	Expenses and Other Uses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1996	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2004	\$ 519,251	\$ 483,014	\$ 36,237	\$ -	\$ 5,181	\$ 5,181	6.99

(1) Includes Interest Income and Federal Grant

(2) Excludes Depreciation and Interest Expense.

**City of Belding
Demographic Statistics
Last Ten Years**

Table 16

Fiscal Year Ending June 30,	Population (1)	School Enrollment (2)	Unemployment Rate (3)
1995	5,969	2,558	8.3%
1996	5,969	2,606	8.2%
1997	5,969	2,593	6.9%
1998	5,969	2,618	6.3%
1999	5,969	2,581	5.9%
2000	5,969	2,558	5.3%
2001	5,877	2,567	7.6%
2002	5,877	2,544	8.8%
2003	5,877	2,474	10.3%
2004	5,877	2,453	9.2%

(1) U.S. Census Bureau - 2000

(2) Michigan Department of Education (Public school system's area is greater than City of Belding)

(3) Michigan Department of Career Development - As of FYE June 30

Age Distribution (1)

	<u>Number</u>	<u>% of total</u>
Male	2,784	47.4%
Female	3,093	52.6%
	<u>5,877</u>	<u>100.0%</u>
Under 5 years old	496	8.4%
5 to 9 years old	506	8.6%
10 to 14 years old	516	8.8%
15 to 19 years old	457	7.8%
20 to 24 years old	389	6.6%
25 to 34 years old	824	14.0%
35 to 44 years old	908	15.5%
45 to 54 years old	587	10.0%
55 to 59 years old	211	3.6%
60 to 64 years old	167	2.8%
65 to 74 years old	387	6.6%
75 to 84 years old	301	5.1%
85 years and over	128	2.2%
	<u>5,877</u>	<u>100.0%</u>

Household Income in 1999 (1)

	<u>Number</u>	<u>% of total</u>
Less than \$10,000	301	13.8%
\$10,000 to \$14,999	198	9.0%
\$15,000 to \$24,999	333	15.2%
\$25,000 to \$34,999	344	15.7%
\$35,000 to \$49,999	357	16.3%
\$50,000 to \$74,999	482	22.0%
\$75,000 to \$99,999	128	5.8%
\$100,000 to \$149,999	38	1.7%
\$150,000 to \$199,000	-	0.0%
\$200,000 or more	8	0.4%
	<u>2,189</u>	<u>100.0%</u>

Median Household Income \$ 32,878

(1) U.S. Census Bureau - 2000

Ethnicity (1)

	<u>Number</u>	<u>% of total</u>
White	5,669	96.5%
Black or African American	23	0.4%
American Indian	32	0.5%
Asian	26	0.4%
Other	127	2.2%
	<u>5,877</u>	<u>100.0%</u>

(1) U.S. Census Bureau - 2000

Median Age 32.3

(1) U.S. Census Bureau - 2000

City of Belding, Michigan
Property Value and Construction Value
Last Ten Fiscal Years

Table 17

Calendar Year Ending	Property Value (1)					Construction							
	Agricultural	Commercial	Industrial	Residential	Total	Residential		Commercial		Industrial		Total	
						Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1994	\$ 12,000	\$ 16,445,800	\$ 11,987,400	\$ 62,035,400	\$ 90,480,600	66	\$ 2,229,383	10	\$ 816,000	11	\$ 1,277,150	87	\$ 4,322,533
1995	13,400	17,554,800	13,416,000	68,890,600	99,974,800	68	1,070,400	8	154,700	4	133,700	80	1,358,800
1996	14,800	17,995,400	15,922,800	77,689,000	111,621,200	58	1,122,975	11	79,430	4	704,000	73	1,906,405
1997	16,800	17,652,000	16,201,400	88,602,600	122,472,800	64	1,997,483	11	256,925	1	127,000	76	2,381,408
1998	18,200	19,762,600	16,545,400	94,404,600	130,730,800	45	1,591,034	3	231,700	5	747,000	53	2,569,734
1999	18,200	21,405,000	16,444,400	109,350,200	147,217,600	54	1,955,108	4	393,530	1	8,500	59	2,357,138
2000	19,600	23,399,400	16,539,800	120,535,400	160,494,200	44	1,780,134	2	7,000	2	28,500	48	1,815,634
2001	19,600	24,159,000	16,891,600	127,930,400	169,000,600	53	2,111,898	6	111,000	3	400,000	62	2,622,898
2002	22,200	26,603,600	18,274,400	139,541,600	184,741,800	68	2,206,637	12	713,176	1	1,300	81	2,921,113
2003	26,000	27,235,200	18,468,200	148,230,800	193,961,200	47	1,257,200	11	403,800	1	4,300	59	1,665,300

(1) Estimated actual value from Table 6

Table 18

CITY OF BELDING
MISCELLANEOUS STATISTICS
JUNE 30, 2004

Date of Incorporation	1857
Form of Government	Council/Manager
Number of employees (excluding police and fire)	
Full Time	31
Part Time	34
Area in square miles	4.85
City of Belding facilities and services:	
Miles of streets	37.22
Number of street lights	394
Culture and Recreation:	
Community Center	1
Museum	1
Parks	6
Park Acreage	160
Books at Library	46,725
Fire Protection:	
Number of stations	1
Number of emergency response vehicles	6
Number of fire personnel	4 Fulltime
	21 Part-Time
Number of fire calls answered	154
Number of rescue calls answered	47
Number of MFR calls answered	350
Public Service	349
Total calls for service	900
Police Protection:	
Number of stations	1
Number of police personnel	9 Fulltime
	14 Reserves
Number of patrol units	5
Number of law violations:	
Physical arrests	271
Accidents (personal injury & property)	134

CITY OF BELDING
MISCELLANEOUS STATISTICS (CONTINUED)
JUNE 30, 2004

Wastewater System:

Miles of sanitary sewers	36
Miles of storm sewers	25
Number of treatment plants/type	1 lagoon facility with 5 ponds
Number of service connections	1,790
Daily average treatment in gallons	850,000
Maximum daily capacity of treatment plant in gallons	1,500,000

Water System:

Miles of water mains	36
Number of service connections	1,810
Number of water wells	3
Above ground storage capacity	two 500,000 gallon water towers
Number of fire hydrants	241
Daily average consumption in gallons	2,000,000
Maximum daily capacity of plant in gallons	3,823,200

Facilities and services not included in the primary government:

Education:

Number of elementary schools	3
Number of elementary school instructors	45
Number of secondary schools	2
Number of secondary school instructors	67

Housing Commission:

Number of units	147
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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

August 30, 2004

Honorable Mayor and Members of the City Council
City of Belding
Belding, Michigan

In planning and performing our audit of the financial statements of the City of Belding for the year ended June 30, 2004, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 30, 2004 on the financial statements of the City of Belding.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations.

Sincerely,

Rehmann Robson

MEMORANDUM

TO: City of Belding Management and City Council

FROM: Rehmann Robson

DATE: August 30, 2004

REGARDING: City operating activities

ACCOUNTS RECEIVABLE

During our audit, we noted that there was a significant increase in the greater than 180 days amount for accounts receivable related to ambulance services. We also noted that there was a large adjustment at fiscal year end to write off uncollectible receivables. We recommend that the City analyze and adjust ambulance receivables monthly in efforts to increase collections and identify more accurate receivable and revenue balances on a monthly basis.

DART ALLOCATIONS

We noted during our audit that the Dial-A-Ride program pays a budgeted allocation to the Internal Service Fund (Fund 606) for the DART share of those expenses. The Internal service fund expenses include payment for the audit fee which is not an allowable expenditure for DART reimbursement per state requirements. We recommend that the City review allowable expenditures for the Dial-A-Ride program and allocate only those costs which are allowable per DART requirements.